1. The economics system planned economy is ?

A. In which economists control production

B. In which production and distribution of wealth is under government's control

C. In which technocrats control production

D. In which government controls distribution

2. Development means economics growth plus ?

A. Inflation

B. Deflation

C. Social change

D. Price stability

3. Maintaining full employment stabilizing the economy and pursuing economic growth are issues analyzed in the context of________________?

A. super economics

B. microeconomics

C. microeconomics

D. hyper economics

4. The exchange rate is the ratio at which the currency of one country is exchanged for the currency of another. Which method was developed by the World bank to exchange rates ?

A. Breton Wood method

B. Free market exchange rate

C. Atlas method of exchange rate

D. Open market exchange rate

5. What is called the difference in the money value between exports and imports during the specific period of time ?

A. Balance of payment

B. Balance sheet

C. Terms of trade

D. Balance of trade

6. How is termed the legal proceeding in which debtor remains unable to pay his creditors in full ?

A. **Bankruptcy**

B. Default

C. Total loss

D. Crash

7. What is called the trade of goods or services without the exchange of money ?

A. Free exchange

B. Liberal Exchange

B.
C. Barter
D. Bilateral Trade

8. **A stock that sells at a high price because of public confidence in its long record of steady earnings is called ?**
A. Blue chip
B. Blue Chipper
C. An extremely valuable asset or property
D. All of these

9. **Which term is used for an addition to normal payment by a company or extra payment of gratuity to workers ?**
A. **Bonus**
B. Overtime
C. Prize
D. Gift

10. **How is termed the balance of investment and return; in which investment and return are exactly equal ?**
A. Break even
B. Breakeven point
C. Both of them
D. None of them

11. **What is called the sequence of economic activity which is typically characterized by recession, fiscal recovery, growth and fiscal decline ?**
A. Economic Cycle
B. Business Cycle
C. Complete Cycle
D. Cycle Business

12. **Term the body of goods and monies from which future income can be derived ?**
A. Net assets
B. Solid asset
C. Holdings
D. Capital

13. **What is meant by capital stock ____________?**
A. Authorized amount of stock for issue by corporation
B. The total stated or par value of the permanently invested capital of corporation

C. Both of them
D. None of them

14. Point out the term for producer goods such as machinery that is used in production of commodities ?
A. Capital assets
B. Running capital
C. Capital goods
D. Hard capital

15. The term Cartel refers to ?
A. A combination of firms for business purposes
B. An official agreement between governments at war, especially for exchange of prisoners
C. Unity of parties, factions or nations in a common cause
D. All of the above

16. Find out the term for the purpose that a buyer must pay for the goods at the time of its delivery ?
A. Barter
B. payment on Delivery
C. Gives in take
D. Cash on Delivery

17. What is called a place of work where all workers within a section must belong to a single official recognized trade union ?
A. Monopolized shop
B. Monopolized area
C. Closed shop
D. Monopolized market

18. A country can still gain from trading certain goods even though its trading partners can produce those goods more cheaply. How is known this principle ?
A. Relative Advantage
B. Complete Advantage
C. Comparative Edge
D. Comparative Advantage

19. Goods that satisfy human wants though their direct use or consumption are called_______________?
A. cash goods
B. consumer items
C. consumer goods
D. cash items

20. Term the enterprise or organization which is managed by those who use its facilities or services ?

A. Limited company
B. Society
C. Corporation
D. Cooperative

21. Name the organization in which people are associated together for a common purpose under a common name. This organization is recognized and created by law ?
A. Company
B. Corporation
C. Cooperative
D. Limited Company

22. What is the cost effective ?
A. Cheap things
B. Substandard things
C. Economical in terms of the goods or services received for the money spent
D. Free in terms of the goods or services received for the money spent

23. Cost of production plus a fixed rate of profit is called ?
A. **cost plus**
B. Cost effective
C. End price
D. Consumer price

24. Which term is used for a bank account which can be operated at will ?
A. Saving Account
B. Fixed account
C. Current account
D. Fluctuated account

25. What is Demand note ?
A. **Draft payable in lawful money upon demand**
B. Cheque payable in lawful money upon demand
C. Security payable in lawful money upon demand
D. Term deposit payable in lawful money upon demand

26. Depression is a drastic decline in a national or international economy. It's characteristic is______________?
A. Decreasing business activity
B. Falling prices
C. Unemployment
D. All of these

27. What does mean by Deed_________________?

A. **legal instrument used to grand a right**
B. Something done
C. legal instrument
D. none of the above

28. What is referred by the discount rate________________?
A. Advance deduction of the interest in purchasing, selling or lending a commercial paper
B. State (central) Bank's interest rate on loans to its member banks
C. Both of them
D. None of them

29. Different workers or group of workers separate the production works and trade into__________processes. What this separation is called?
A. Divided Labor
B. Closed shop
C. Division of Labor
D. Open shop

30. Downsizing is______________?
A. **to make in a smaller size**
B. to make in a actual size
C. to make in a half size
D. None of the above

31. Which money is called 'Earnest' Money ?
A. Advanced payment to bind a contract or bargain
B. A token of something to come
C. A promise or assurance
D. All of these

32. Endorsement means anything written upon the back of the document What does means by Endorse ?
A. To verify signature
B. To verify the person holding cheque
C. To sign one's name upon the back of cheque
D. To sign one's name upon the front of cheque

33. There is method by which one currency is bought, sold or valued in terms of other currencies, gold or accounting units such as the Special Drawing Right of IMF. What is it called ?
A. Currency exchange
B. Currency value
C. Currency value
D. Exchange rate

34. What is called a country's total financial obligations to the rest of the world ?

A. Total dept
B. Debt burden
C. National liabilities
D. External debt

35. Name the method of inventory accounting in which the oldest remaining items are assumed to have been first sold ?

A. **FIFO (first in first out)**
B. LAFO (last in first out)
C. First come First serve
D. None of these

36. What is called the minimum price of a commodity that is fixed by government in order to save the interests of producer of raw materials ?

A. **Floor price**
B. Fixed price
C. Bid price
D. Basic price

37. An act of altering of a written or printed document with intentions of deceiving anyone is called________?

A. Fraud
B. Cheating
C. Forgery
D. Fraudulent

38. What does mean by Franchise____________________?

A. A privilege or right officially granted by a person or group by a government
B. Authorization granted to someone to sell or distribute a company's goods or service in certain area
C. Territory or limits within which immunity, privilege or right may be exercised
D. All of the above

39. The amount that is paid for carriage of goods by chips, railways, airways etc is called ?

A. Hire and Fire
B. Rent
C. Transportation Changes
D. Freight

40. What is called a group of countries that have removed all tariffs, quotas, and export subsidies on trade among themselves ?

A. Close-trade zone
B. Free trade zone
C. Both of them
D. None of them

41. The system under which a country's currency is exchangeable for a fixed weight of gold on demand at central bank is called ?
A. **God standard system**
B. Gold based system
C. Bullion standard system
D. None of the above

42. By Which scale the value of all economic activity produced by a nation during a given period is measured ?
A. Gross Domestic Product (GOP)
B. Gross National output (GNO)
C. Gross National Product (GNP)
D. Gross National output

43. Mention the name for that urban and rural region which is closely associated economically with an adjoining town or city. Term is also used to describe the area that is serviced by a port or coastal settlement ?
A. **Hinterland**
B. Country land
C. Dependent land
D. Parasite land

44. Indemnity is________________?
A. Security against damages loss, or injury
B. A legal exemption from liability for damages
C. Compensation for damages loss, or injury suffered
D. All of these

45. What is referred by interest ?
A. **Payment made for the use of another person's money**
B. payment made for the use of bank's money
C. Share in profit
D. Devaluation in the currency

46. How is termed the economic theories or Maynard Keynes especially those which advocate government monetary and fiscal and stimulate business activity ?
A. Market Economy
B. Harvard Group
C. Keynesian
D. London Group

47. Which economics doctrine opposes government regulation or interference in commerce beyond the minimum necessary for a free enterprise system to operate according to its own economics laws and non-interference in affairs of others ?

A. Free market economy

B. Laissez faire also Laisser faire

C. Open market economy

D. Liberal market economy

48. Termed the written statement which expresses the intention of undersigned to enter into a formal agreement ?

A. **Letter of intent**

B. Letter of Credit

C. Letter of Expression

D. Papers of Landing

49. LIFO (last in, first out) means ?

A. to make queue

B. items are removed in inverse order

C. turn by turn

D. make space for new production

50. Name the company in which the liability of the shareholders is limited to the amount of their shares ?

A. **Limited company**

B. Incorporation

C. Cooperative

D. Corporation

51. The term Mark-up refers to_________________?

A. Rise in the price of an item for sale

B. An amount added to cost price in calculating selling price

C. Both of them

D. All of them

52. The branch of economics 'Microeconomics' deals with_______________?

A. **small units, including individual companies and small group of consumers**

B. Economics of homes

C. Economics of stock market

D. Economics of provinces

53. Term the exclusive right of one or more persons to carry on some branch of trade of manufacture It is a sole power of dealing in something ?

A. Encroachment
B. Monotony
C. Unipolarity
D. Monopoly

54. What is mortgage_______________?
A. **Conveyance of property as security for debt**
B. Conveyance of company security for debt
C. Guarantee for debt
D. Assurance of debt repayment

55. What is called the result of a state's borrowing from its population, from foreign governments or from international institutions ?
A. National debt
B. Public debt
C. Both of them
D. None of them

56. What is called the amount of non-military foreign aid which a country received ?
A. Grands
B. Official Development Assistance (ODA)
C. Foreign aid
D. Friendly aid

57. Which term is used for the value imprinted on a security ?
A. Real value
B. Net value
C. Par value
D. Gross value

58. A number of relating prices of a group of commodities to their prices during an arbitrarily chosen based period is called ?
A. **Price index**
B. Price indexing
C. Price fixing
D. Price choosing

59. Which term is used for the period of competition in which each competitor tries to cut retail prices below the others ?
A. Price competition
B. Price support
C. Price war
D. Price battle

60. The term prospectus refers to_______________?
A. Formal summary of proposed project
B. Document describing chief features of something for

participants
C. Both of them
D. None of them

61. **By the way of an underwriter, the sale of a new security is issued to the public a transaction that must be registered with the securities and exchange commission. How is know this process ?**
A. Registering
B. Going public
C. Debuting
D. Public offering

62. **How is termed the ability to buy ?**
A. Purchasing power
B. Income level
C. Gross purchasing power
D. Purchasing power parities (PPP)

63. **The term Remittance refers to_______________?**
A. Sending of money to someone at distance
B. The sum of money sent
C. Both of them
D. None of them

64. **A payment is made in return for some transference of privilege. What this payment is called ?**
A. **Royalty**
B. Rent
C. Share
D. Intellectual royalty

65. **What is sales tax_____________?**
A. **Levied on the retail price of merchandise and collected by retailer**
B. Tax deducted at source
C. Tax on local produce
D. Tax on gross sale

66. **Name the political and economic system in which the government owns and controls the means of production to benefit all the people ?**
A. Communism
B. Socialism
C. Capitalism
D. Authoritarianism

67. **A share or an interest in an enterprise, especially a financial share, is called ?**

A. Share holding
B. Stake
C. Partnership
D. None of these

68. When supply exceeds demand, sellers must lower prices to stimulate sales, when demand exceeds supply, prices increase as buyers compete to buy goods. What this theory is called in economics?
A. Cost push theory
B. Supply and Demand theory
C. Fundamental theory
D. Ricardo's theory

69. What is defined as the active management of resources to provide the greatest present benefit without comprising the potential benefits to future generations ?
A. Prudent development
B. Sustainable development
C. Managed economy
D. None of these

70. The term technology refers to______________?
A. **Application of science to achieve a commercial or industrial objective**
B. Application of modern science in the country
C. Science based know low
D. All of these

71. Which of the following is referred by the phrase trade balance ?
A. Income from export
B. Difference between imports and exports
C. Income from imports
D. All of them

72. The mark is imposed on goods or wrappers to show that the articles bearing this mark belong to a particular trader. What is this mark called ?
A. Insignia
B. Patent mark
C. Trade Mark
D. Identification mark

73. Which of the following is indicated by the term unemployed ?
A. Employed only part time when one needs full time employment
B. Inadequately employed

C. Note fully used or employed

D. All of them

74. Estimated value that is added to a product or material to each stage, of its manufacture or distribution, is known as ?

A. Value addition

B. Excise

C. Value added

D. Tax on stage

75. What is artificial currency ?

A. **A currency substitutes**

B. Coins

C. De-valued currency

D. Silver

76. An outside professional conducts an examination of company's accounting records in order to determine whether the company is maintaining records according to the generally accepted accounting principles. What this examination is called ?

A. Checking

B. Audit

C. Stock-taking

D. Accounting

77. Which market is called Bear market ?

A. Market with upward and stock prices.

B. Market with a prolonged period of falling stock prices

C. A very big market

D. A very big industrial market

78. What is called the price that a potential buyer is willing to pay for a security ?

A. **Bid**

B. Offer price

C. Quote price

D. None of these

79. Which of the following are bonds that are not registered on the books of the issuer ?

A. Open bond

B. Blank bond

C. Term bond

D. Bearer bond

80. Shareholders of a corporation elect individuals to carry out certain tasks that are establishment in the charter. What these individuals are called ?

A. Management
B. Board of Governor
C. Top brass
D. Board of Directors

81. **Term the covering of a short position by purchasing a long contract, usually resulting from the short of a commodity ?**
A. Short-positioning
B. Buyback
C. Drawback
D. None of them

82. **Name the price at which the issuer of a bond may retire part of the pond at a specified call date ?**
A. **Call price**
B. Bid price
C. Term Price
D. Future Price

83. **The French term Bourse refers to__________________?**
A. A big company
B. Stock market
C. Joint-stock
D. A multinational company

84. **From the sale of capital assets tax is levied on profits. What this tax is called ?**
A. Profit tax
B. Capital gains tax
C. Excise duty
D. Capital tax

85. **Which of the following is Price of the last transaction of a particular stock completed during a day’s trading session on an exchange ?**
A. Night Price
B. Closing Price
C. End price
D. Final price

86. **What is called that executive who is brought in to turn a company around and make it profitable ?**
A. Savior
B. Company doctor
C. Super manager
D. Manager doctor

87. **Term a film that is engaged in two or more unrelated businesses ?**

A. **Conglomerate**
B. Multinational
C. giant
D. Incorporation

88. What is referred a group of companies that cooperate and share resources in order to achieve a common objective ?

A. **Consortium**
B. Pool
C. Incorporation
D. Conglomerate

89. What is called the centers around the ability of a national economy to generate enough interests and principal on its foreign debt ?

A. National economic risk
B. Country economic risk
C. Country finance risk
D. Foreign exchange risk

90. What is called the manipulation of the market by traders to create the illusion of active volume to attract investors ?

A. Daisy chain
B. Illusion
C. False market
D. Manipulated market

91. Name a default on debt and obligations by a major financial institution that disrupts the stability of the economic system ?

A. Debt blast
B. Debt bomb
C. Bad debt
D. None of them

92. What is called interest payments plus repayments of principal to creditors ?

A. Debt retirement
B. Debt relief
C. Debt service
D. Payback

93. What is called when government spending overwhelms government revenue resulting in government borrowing ?

A. Budget deficit
B. Deficient financing
C. Unbalanced spending
D. Deficit spending

94. Mention the theory of inflation or price increase that results from so-called excess demand ?
A. Demand curve theory
B. Cost-push inflation
C. Demand-pull inflation
D. Demand push inflation

95. Deregulation is the reduction of government’s role in controlling markets. Which of the following is result(s) of deregulation ?
A. Lead to freer market
B. Lead to a more efficient marketplace
C. Both of them
D. None of them

96. Term a tax or duty rebate on imported goods that are exported at a later date ?
A. Duty
B. Custom
C. Rebut
D. Drawback

97. What is called degree of buyer’s responsiveness to price changes ?
A. Production & Supply
B. Demand push Supply
C. Demand & Supply
D. Demand pull supply

98. Investment funds are established for the supports of institutions such as hospitals investment is called ?
A. Charity funds
B. Attached funds
C. Endowment funds
D. Investment fund

99. What is called that bank which regularly accepts foreign currency-denominated deposits and makes foreign currency-denominated deposits and makes foreign currency loans ?
A. Eurobank
B. Foreign bank
C. International Bank
D. Multinational Bank

100. Name the methodology by which members of the EMS maintain their currency exchange rates within an agreed upon range with respect to other member countries ?
A. **Exchange Rate Mechanism (ERM)**
B. Exchange Rate Equilibrium

C. Exchange Rate Balance
D. None of the above

101. A firm owns long-lived property that is used by a firm in the Production of its income. What this property is called ?

A. Unmovable asset
B. Fixed property
C. Production line
D. Fixed asset

102. What is called a country’s decision to allow its currency value to change freely?

A. Pegged exchange rate
B. Floating exchange rate
C. Liberal exchanged rate
D. Open exchange rate

103. What is called the acquisition abroad of physical assets with operating control that resides in parent corporation ?

A. Fixed Direct Investment
B. Foreign Direct Investment (FDI)
C. Foreign Investment
D. Remote Foreign Investment

104. A country’s fundamental system of transportation, communications, and other aspects of its physical capabilities are called ?

A. **Infrastructure**
B. Basic structure
C. Fundamentals
D. Basic infrastructure

105. Term a large payment to a senior employee who is forced into retirement or fired as a result of takeover or similar development ?

A. Golden bonus
B. Golden shake hand
C. Friendly handshake
D. Golden handshake

106. Mention a mutual fund that is invested primarily in stocks with a history of and future potential for capital gains ?

A. Common fund
B. Stock fund
C. Growth fund
D. Capital growth fund

107. Name a corporation that owns enough voting stock in another firm to control management and operations by influencing of electing its board of directors ?

A. Mother company
B. Father company
C. Holding company
D. joint company

108. A company's first sale of stock to the public is called ?
A. Public Offering
B. First Public Offering
C. Initial Public Offering (IPO)
D. Going Public

109. A seller of goods or services writes a bill that is submitted to a purchaser for payment. What this bill is called?
A. Demand draft
B. Draft
C. Invoice
D. Bill of Intent

110. In the context of contracts, what refers to secret payments made to ensure that the contract goes to a specific firm ?
A. **kickback**
B. Commission
C. Bribe
D. Graft

111. Asset that is easily and cheaply turned into cash-notably, cash itself and short-term securities are known as_______________?
A. **Liquid asset**
B. Solid asset
C. Hard asset
D. None of these

112. Name a gold, silver, or platinum coin than usually traded at slightly more than its current bullion value ?
A. Hard Leaf
B. Maple Leaf
C. Green Leaf
D. Gold Leaf

113. Mention an electronic quotation system in USA that provides price quotations to market participants about more actively traded common stock issues in OTC market ?
A. **National Association of Securities Dealers Automatic Quotation system (Nasdaq)**
B. New York Stock Exchange
C. Wall Street
D. Nikkei Stock Average

114. Name a market that is characterized by a small number of producers who often act together to control the supply of a particular good and its market price ?

A. **Oligopoly**
B. Monopoly
C. Oligopsony
D. Grey market

115. There is a decentralized market where geographically dispersed dealers are linked by telephones and computer screens. The market is for securities not listed on a stock or bond exchange. Name the market ?

A. Grey market
B. Over-the counter (OTC)
C. Open market
D. Back market

116. Possibility of negative events or changes in the business climate of country is called?

A. Domestic risk
B. Political risk
C. National risk
D. Country risk

117. Which of the following is referred by principle ?

A. Total amount of money being borrowed or lent
B. Party affected by agent decision in a principal agent relationship
C. Both of them
D. None of them

118. There is an arrangement which allows a firm to use research from another firm at no cost in exchange for executing all of its trades with the firm that provides the research. What this arrangement is called?

A. Mutual arrangement
B. Quid Pro quo
C. Bilateral arrangement
D. common interest

119. A piece of land and whatever physical property is on it is called?

A. Solid asset
B. Unmovable property
C. Real estate
D. Property

120. What is called bankruptcy practitioner appointed by secured creditors to oversee the repayment of debts?

A. Liquidator
B. Solicitor
C. Receiver
D. Agent

121. Mention an agreement in which one party sells a security to another party and agrees to repurchase it on a specified date for a specified price ?
A. Redemption
B. Guarantee
C. Repo
D. Repurchase arrangements

122. A central bank or monetary authority hold foreign currency for the purpose of exchange intervention and the settlement of intergovernmental claims. Term the currency ?
A. **Reserve currency**
B. Hot currency
C. Pegged currency
D. Hard currency

123. Name the money of county that is expected to drop in value relative to other currencies?
A. Local currency
B. Cold currency
C. Lime currency
D. Soft currency

124. Which of the following is called a wholly or partially owned company what is the part of the large corporation?
A. Baby company
B. Child company
C. Small holding
D. Subsidiary

125. "Term bond" are bonds whose principle is payable at maturity. What does mean by Term certificate?
A. A bond with a longer time to maturity
B. A certificate of deposit whose principal is payable at maturity
C. A certificate of deposit with a shorter time to maturity
D. certificate of deposit with a longer time to maturity

126. Mention the name for economic theory that the support of business that allows them to flourish will eventually benefit middle- and lower-income people in the form of increased economic activity and reduced unemployment?

A. End benefit
B. Trickle down
C. Free market
D. Capitalism

127. Term a tax that is levied by a country of source on income paid, usually on dividends remitted to the home country of the firm operating in a foreign country?
A. Wealth tax
B. Withholding tax
C. Income tax
D. None of these

128. What is write-Off?
A. **Charging an asset amount to expense of loss**
B. To forget
C. To withdraw
D. None of these

129. What is measured by Gross domestic product (GDP)?
A. **Value of all economic activity within nation's border**
B. Economic output of a country
C. Economic activity of federal government
D. None of these

130. Which country is the chief exporter Aluminum?
A. **USA**
B. Britain
C. France
D. Germany

131. Which country is the chief exporter of coffee?
A. Mexico
B. USA
C. Brazil
D. Australia

132. USA is the chief exporter of__________________?
A. Iron Ore
B. Wheat
C. Both of these
D. None of these

133. Which mineral's chief exporter is Russia?
A. **Manganese**
B. Rubber
C. Gold
D. Silver

134. China is the chief exporter of________________?

A. Rubber
B. Manganese’s
C. Rice
D. Gold

135. Of which mineral’s chief exporter is Mexico ?

A. Tin
B. Silver
C. Aluminum
D. Gold

136. Which country is the chief exporter of Tin ?

A. **Malaysia**
B. China
C. Russia
D. USA

137. Barter is the trade of goods or services with ?

A. free exchange of money
B. exchange of services
C. exchange of goods and services
D. None of them

138. Goods and monies from which future income can be derived is called ?

A. Net assets
B. Assets
C. Holdings
D. Capital

139. Crop grown for sale is called?

A. Business Crop
B. Cash crop
C. Money Crop
D. Earning Crop

140. A country can still gain from trading certain goods even though its trading partners can produce those goods more cheaply. How is known this principle?

A. Relative Advantage
B. Complete Advantage
C. Comparative Edge
D. Comparative Advantage

141. What are called goods that satisfy human wants through their direct use ?

A. cash goods
B. consumer items
C. consumer goods
D. cash items

142. Term the sole legal right to print or publish anything that belongs to the author ?
A. **property right**
B. Sole right
C. Copyright
D. rights

143. What is Debt Service ?
A. Interest payments on external debts
B. repayments of external debt
C. none of these
D. Both of them

144. What is called the reduction in the rate of a currency
A. Devolution
B. Devaluation
C. Price cap
D. Cut-rate

145. Which kind of Tax is Federal subject ?
A. Excise Tax
B. Property Tax
C. Zakat
D. General Sales Tax

146. Downsizing is ?
A. **to make in a smaller size**
B. to make in actual size
C. To make in half size
D. None of these

147. Restriction on import or export of specified or all goods with a foreign nation by the Government is called ?
A. **Embargo**
B. Contraband
C. Ban
D. Restriction

148. What is meant by excise?
A. A tax levied on certain articles produced and consumed in a country
B. A licensing charge or a fee levied for certain privileges

C. Both of them
D. None of them

149. **Minimum price of a commodity fixed by government to save the interest of producer of raw materials is called ?**
A. **Floor price**
B. Fixed price
C. Bid Price
D. Basic Price

150. **Group of Singapore, Hong, Kong, Taiwan, and south Korea is called?**
A. Four Dragons
B. Little Tigers
C. Four Tigers
D. All of these

151. **What is called the trade without restriction of tariffs, quotas, or foreign exchange controls ?**
A. Open trade
B. Free trade
C. Open sky trade
D. Easy trade

152. **During a given period how the economic activity of a nation is measured?**
A. Gross Domestic Product (GOP)
B. Gross National output (GNO)
C. Gross National product (GNP)
D. Gross National Output

153. **Term the group of countries that have removed all restrictions on trade among themselves?**
A. Close-Trade zone
B. Free-trade zone
C. Both of them
D. None of them

154. **Interest is_______________?**
A. **Payment made for the use of another person’s money**
B. Payment made for the use of bank’s money
C. Share in profit
D. Devaluation in the Currency

155. **Market in which forces of demand and supply are not in the control of government is called ?**
A. Market Economy
B. Free Market

C. Both of them
D. None of them

156. In Planned economy' Production and distribution of Wealth is under control of______________?
A. Private sector
B. Government
C. Bank
D. None of the above

157. What is called protection of domestic producers by impeding or limiting the importation of foreign goods and services ?
A. Domestication
B. Protectionism
C. Localization
D. National interest

158. What is Remittance________________?
A. Sending of money to someone at distance
B. The sum of money sent
C. Both of them
D. None of them

159. Economic system in which the government owns and controls the means of production to benefit all the people is called ?
A. Dictatorship
B. Socialism
C. Capitalism
D. Authoritarianism

160. What is Tariff ?
A. tax that government levy on imports
B. tax that government levy on exports
C. Both of them
D. None of them

161. Term the rules and particles that govern the management of an organization ?
A. Internal laws
B. By laws
C. Character
D. Memorandum of articles

162. What is Debt retirement_______________?
A. To write off debt
B. To reschedule debt
C. To repay debt in easy installments
D. The complete repayment of debt

163. What is called a Tax on imports, exports ?
A. Drawback
B. Duty
C. Custom
D. Excise

164. What do you understand by Laissez faire ?
A. Active intervention
B. Sound commercial affairs
C. Interference by the state in law and order
D. None of these

165. Which is the oldest stock exchange of the world ?
A. New York stock exchange
B. Tokyo stock exchange
C. London stock exchange
D. None of them

166. Inflation means ?
A. Rise in budget deficit
B. Rise in money supply
C. Rise in general price index
D. Reflection

167. What is a Debenture ?
A. **Certificate issued by a company promising the payment of a specified amount at a fixed rate of interest after a specified period**
B. Certificate for the investment in shares
C. Certificate for the preference share
D. None of these

168. The term ‘real wage’ means the money wage” ?
A. after tax
B. allowing for change in prices.
C. Plus, benefits in kind
D. plus, overtime payments.

169. Which measures. taken by a government would be intended to raise the price of imports ?
A. Embargoes
B. Foreign exchange controls
C. Quotas
D. Tariffs

170. An essential attribute of inflation is ?
A. Fall in production
B. Increase in prices

C. Stagflation
D. None of these

171. A very rapid growth in prices in which money loses its value to the point where even barter may be preferable is known as ?
A. Inflation
B. Hyper-inflation
C. Deflation
D. Disinflation

172. Monetary policy is regulated by ?
A. Money lenders
B. Central Bank
C. Private entrepreneurs
D. Government policy

173. Who among the following is most benefited from inflation ?
A. Government pensioners
B. Creditors
C. Savings Bank Account holders
D. Debtors

174. Which economics term describes the takeover of one textile manufactures by another ?
A. Diversification
B. horizontal integration
C. monopoly
D. vertical integration

175. To what does the phrase terms of trade refer ?
A. the currency exchange rate
B. the difference between the value of visible exports and visible imports
C. The government’s policies to increase exports
D. the rate at which exports are exchanged for imports

176. What is more likely to be found in a free market economy than in a planned economy ?
A. an even distribution of income
B. an incentive to innovate
C. a wide range of public goods
D. full employment of labor

177. National income of a country is based on ?
A. The taxes earned by the State
B. The sum of all factors of income
C. Personal incomes of all the citizens
D. Surplus of exports over imports

178. Hard currency is defined as ?

A. **Currency traded in foreign exchange market for which demand is persistently relative to the supply**
B. Currency Which is used in times of war
C. Currency which loses its value very fast
D. None of these

179. Which is the best measure of economic growth of a country ?

A. **GNP**
B. GDP
C. Net revenue
D. None of the above

180. Which of the following payment instruments introduced by the banks is known as plastic money ?

A. Bearer cheques
B. Credit Cards
C. Demand Drafts
D. Gift Cheques

181. Which of the following is not rated by credit rating agencies ?

A. **Shares**
B. Debentures and bonds
C. Commercial paper
D. Government securities

182. The smallest unit of ownership of a company is________________?

A. **A share**
B. A debenture
C. Invest
D. Capital

183. Debenture holders of a company are its________________?

A. Shareholders
B. Creditors
C. Debtors
D. Directors

184. Rate of growth of an economy is measured in terms of________________?

A. Per capita income
B. Industrial development
C. Number of people who have been lifted above the poverty line
D. National income

185. Which of the following is not required while computing Gross National Product (GNP) ?

A. Net foreign investment
B. Private investment
C. Per capita income of citizens
D. None of the above

186. Which situation will a country face, if the birth rate falls sharply, while the death rate remains unchanged ?
A. a fall in living standards
B. a more youthful population
C. an ageing population
D. an increase in population

187. What can a government do to increase demand in its economy ?
A. Budget for a surplus
B. Cut taxes
C. Encourage savings
D. Reduce its expenditure

188. To determine the correct level of GNP, it is necessary to ?
A. **To add up the values of goods and services for one year**
B. Add up all savings
C. To count all imports
D. To add up the value of semi-finished goods

189. The term “Dumping” means ?
A. The sale of the sub-standard commodity
B. Sale in a foreign market of a commodity at a price below marginal cost
C. Sale in a foreign market of a commodity just at marginal cost without too much of profit
D. Smuggling of goods without paying any customs duty

190. GNP includes ?
A. A loan from a bank
B. A loan from one’s parents
C. Gifts and donations
D. A broker’s commission

191. Market value of all final goods and services produced in a country during a year is definition of ?
A. NI
B. NNP
C. GNP
D. Consumption

192. Which of the following would increase national income ?
A. Increase in taxation
B. Increase in savings

C. Increase in govt. spending
D. Decrease in consumption spending

193. Which is most likely to cause a more even distribution of income ?
A. An increase in indirect taxes
B. An increase in managers salaries
C. An increase in progressive taxation
D. An increase in the rate of inflation

194. The sum of total income received for the services of labor, land or capital in a country is called?
A. Gross domestic product
B. National income
C. Gross domestic income
D. Gross national income

195. Fiscal deficit in the budget means ?
A. Revenue deficit plus the net borrowings of the government
B. Budgetary deficits plus the net borrowings of the government
C. Capital deficit plus revenue deficit
D. Primary deficit minus capital deficit

196. National income refers to ?
A. **Money value of goods and and services produced in a country during a year.**
B. Money value of stocks and shares of a country during a year.
C. Money value of capital goods produced by a country during a year.
D. None of these

197. ‘Forex’ stands for ?
A. For examine
B. Foreign exchange
C. Foreign exports
D. None of these

198. Pakistan follows the policy of_______________?
A. Fixed exchange rate
B. Flexible exchange rate
C. controlled exchange rate
D. Increasing exchange rate

199. What could a government do to correct the current account deficit ?
A. **Reduce the deficit on the balance of trade**
B. Reduce the repayment of loans
C. Reduce the surplus on the capital account
D. Reduce the volume of exports

200. When stock market is falling it is_______________?

A. **Bearish**
B. Bullish
C. Crash
D. Fall down

201. The govt. can control inflation by_______________?
A. Increasing demand for goods
B. Increasing supply of goods
C. Increasing money supply
D. Decreasing taxes

202. Which property the paper money does not process ?
A. Acceptability
B. Divisibility
C. Durability
D. Portability

203. Trade between two countries can be useful if cost ratios of goods are ?
A. Equal
B. Different
C. Undetermined
D. Decreasing

204. Which of the following would cause income to become more unequal ?
A. Increased employment
B. Increased unemployment allowance
C. More progressive taxes
D. More regressive taxes

205. When banks prepare their balance sheets. They show the money lent in ?
A. Liability
B. Assets
C. Both assets and liabilities
D. None

206. Which of the following is not an instrument of monetary policy ?
A. **Taxation**
B. Bank rate
C. Open-market operations
D. Credit rationing

207. In which capacity does a person stand to gain from deflation ?
A. **As a pensioner**
B. As a debtor

C. As an entrepreneur
D. As an equity-holder

208. Which is the most widely used tool of monetary policy ?
A. Clearing house
B. Open-market operations
C. Discount rate
D. Issuing of notes

209. Central bank's rate of lending to commercial banks is called ?
A. Interest rate
B. Discount rate
C. Money rate
D. Control rate

210. Open market Operation is ?
A. Buying and selling bills of exchange
B. Buying and Selling govt. securities
C. Buying and selling shares of companies
D. Buying and selling foreign exchanges

211. Theory of comparative advantages was presented by ?
A. Adam Smith
B. Ricardo
C. Hicks
D. Barron

212. The branch banking system is in vogue in most countries of the world. In which country was it first developed?
A. South Africa
B. UK
C. Canada
D. Australia

213. If GNP of Pakistan rises. it will encourage ?
A. Exports
B. Imports
C. Both
D. None

214. Which of the following must always balance ?
A. Balance of visible trade
B. Balance of invisible trade
C. Balance on the current account
D. Balance of payments

215. Devaluation of currency can help to increase exports if elasticity of demand of exportable items in other countries is ?

A. Less than one
B. Greater than one
C. Equal to one
D. Zero

216. What term is given to unemployment caused by a downturn in the business cycle ?
A. Underemployment
B. Disguised unemployment
C. Temporary unemployment
D. Cyclical unemployment

217. Which of the following terms refers to income that is saved and not invested ?
A. Capital
B. Deposit
C. Hoarding
D. Profit

218. When aggregate supply exceeds aggregate demand ?
A. **Business inventory accumulate**
B. Unemployment exists
C. Price of consumer goods rise
D. People save more than they intended to save

219. Government policy about exports and imports is called ?
A. Monetary policy
B. Fiscal policy
C. Commercial policy
D. Finance policy

220. National Income is essentially composed of ?
A. All wealth of a nation
B. Annual Income of the central government
C. All income of the people on a year
D. Income derived from taxes by the central government

221. What is called an arrangement of workers machines, and equipment in which the product being assembled passes consecutively from operation to operation or the process in which finished products are turned out in a mechanically efficient, though impersonal, manner ?
A. Assembly line
B. Production line
C. Both of them
D. None of them

222. The balance of payment is ?

A. **Balance between a nation’s expenditure on imports and its receipts from exports**
B. Total sum a state owned
C. Total liabilities of a nation
D. Shortfall in budget

223. Balance of sheet is understood as ?
A. Profit in a year
B. Statements of accounts that shows debit and credit accounts under the broad heads
C. Performance of a company
D. Accurate economic position

224. Bearer cheque is ?
A. Payable to anyone
B. payable to person holding it
C. payable through account only
D. payable after specific period

225. Term the written order which directs that a specified sum of money be paid to a specified person ?
A. **Bill of Exchange BE**
B. Bill of Lading
C. Bearer Cheque
D. None of them

226. Governments and corporations sell interest bearing certificates to raise money for expansion or trade. What is called these certificates ?
A. Certificates
B. Sureties
C. Security bonds
D. Bond

227. The amount value of an asset in business records is not necessarily identical to the amount that the asset could bring on the open market. What is it called ?
A. Open value
B. Book value
C. Real value
D. Artificial value

228. The intermediary agent in the purchase and sale of any good is known as ?
A. Dealer
B. Broker

C. Agent
D. Commission agent

229. What is called the rules of laws which governs the internal affairs of an organization ?
A. Corporate Laws
B. Secondary Laws
C. By laws
D. Internal Laws

230. A long-term asset, such as land or building is termed as ?
A. **capital asset**
B. solid asset
C. solid capital
D. Future asset

231. Mention the term which is used for the large-scale removal of individual and corporate investment capital and income from a country ?
A. Money flight
B. Capital drain
C. Free flow
D. Capital flight

232. Name the system in which the means of production and distribution are privately or corporate owned and development is proportionate to the accumulation and reinvestment of profits which are gained in a free market ?
A. **Capitalism**
B. Socialism
C. Free market economy
D. Liberalism

233. What is called the crop which is grown for sale rather than the farmer's own use ?
A. Business Crop
B. Cash crop
C. Money Crop
D. Earning Crop

234. Which of the following is the Pakistan's central bank ?
A. **State Bank**
B. National Bank
C. Both of them
D. None of them

235. A borrower gives to creditor a security to grantee repayment of a loan. What is this security called ?

A. Pledge
B. Assurance
C. Collateral
D. Guaranty

236. The comparative advantage comes if each trading partners has a product that will bring a better price in another country than it will at home. Which economist proposed the principle of comparative advantage ?

A. Adam Smith
B. David Ricardo
C. David Smith
D. Adam Ricardo

237. How I measured the change in the cost of basic goods and services in comparison with a fixed base period ?

A. Human Development Index (HDI)
B. Consumer Price Index (CPI)
C. Complete Price Index (CPI)
D. Comparative Price Index (CPI)

238. The sole legal right to print or publish anything which belongs to the author or his assignees is called ?

A. Property right
B. Sole right
C. Copyright
D. Right

239. Amount of money needed to purchase the goods and services required to maintain a certain standard of living called ?

A. **Cost of living**
B. Basic requirement
C. Cost of life
D. None of the above

240. An adjustment is made in wages that corresponds with the change in the cost of living. What this adjustment is called ?

A. Free adjustment
B. Cost effective adjustment
C. Comparative adjustment
D. Cost of living adjustment

241. What is referred by cost push inflation ?

A. Decreased production costs drive prices up
B. Decreased production costs drive prices down
C. increased production costs drive prices down
D. increased production costs drive prices up

242. Interest payments and any principal repayments which are due on a country’s external debt are known as ?

A. Debt Payment
B. Service Charges
C. Debt Charges
D. Debt service

243. What is called increased demand for a limited supply of goods and service result of which is increase in consumer prices ?

A. Demand push
B. Demand pulls
C. Cost pull
D. Demand supply

244. Mention the term for an official act of reducing the rate in which one currency is exchanged for another in international currency markets ?

A. Devolution
B. Devaluation
C. Price cap
D. Cut-rate

245. Which term is used for fine that is payable for failing to clear goods from a storehouse with in a specific period of time ?

A. **Demurrage**
B. Penalty
C. Charges
D. Fine

246. Term the shared of profits of a joint stock company ?

A. Share
B. Profit-share
C. Dividend
D. Margin

247. Name the scale for measuring the average share price and percentage change of 30 major US industrial companies ?

A. Nikki Index
B. NASDAQ
C. Dow Jones Index
D. Major Index

248. What is Dumping ?

A. sale of goods in large quantities with high quality
B. Scale of goods in large quantities with low quality
C. Scale of goods in large quantities and at low price
D. Scale of goods in large quantities with High price

249. How is termed the government's order to prevent the arrival or departure of merchant ships or to restrict import or export of specified or all goods with a foreign nation ?

A. **Embargo**
B. Contraband
C. Ban
D. Restriction

250. Beyond any mortgage thereon and liability therein, the residual value of a business or property is called equity. Which of the following are also included by term equity ?

A. The market value of securities less any debt incurred and common stock and preferred stock
B. Funds provided to a business by the sale of stock
C. Both of them
D. None of them

251. What meant by excise ?

A. A tax levied on certain articles produced and consumed in a country
B. A licensing charge or a fee levied for certain privileges
C. Both of these
D. None of the above

252. In Western Europe in 9th C, originated military and social system in which a nobleman would grant the use of land to servant in return for service which is often military, and duty, Name the system ?

A. Military system
B. Land based system
C. Feudal system
D. Rural system

253. An organization plans the use of its fund during a 12-month period. What is this period called ?

A. Fiscal period
B. Calendar year
C. Year unit
D. Fiscal year (FY)

254. Mention the penalty by which a person loses title of his property, that is a result of some illegal act ?

A. Confiscation
B. Bankruptcy
C. Forfeiture
D. Debenture

255. Which of the following is known as foreign exchange ?

A. Transaction of International monetary business
B. Negotiable bills drawn in one country to be paid in another country
C. Both of them
D. None of them

256. How is termed the group which consists of Singapore, Hong kong, Taiwan, and south Korea ?
A. Four Dragons
B. Little Tigers
C. Four Tigers
D. All of these

257. Free port is ?
A. Where no export duties are levied
B. Where no import duties are levied
C. Where no expert or import duties are levied
D. Where everything can be import or export

258. Term the interchange of commodities across political frontiers without restriction such as tariffs, quotas, or foreign exchange controls ?
A. Open trade
B. Free trade
C. Open sky trade
D. Easy trade

259. There are certain products which are sold without brand name or trademark What these products are called ?
A. **Generic**
B. Forged goods
C. Contraband
D. Clean goods

260. Unlike a black market, what is called a system of secretly selling or trading commodities which is not necessarily illegal ?
A. **Grey market**
B. White market
C. Red market
D. Open market

261. What is referred by the hard currency ?
A. Any currency backed by gold or silver bullion rather than credit
B. Stable currency value of which does not fluctuate greatly
C. Both of them
D. None of them

262. **Because of the decrease in the value of money, there comes exaggerated increase in incomes and prices. How is termed this system ?**
A. **Hyperinflation**
B. Ultra-inflation
C. A cute inflation
D. Super inflation

263. **Inflation is ?**
A. **Increase in the amount of circulating money**
B. Lowering of purchasing power
C. Decrease in the amount of circulation money
D. None of the above

264. **A detailed, itemized list, report or record or things in one’s possession or the process of making such a list, or items listed in this list, or the stock, is called inventory. Which of the following is also inventory ?**
A. List of stock a company own
B. List of assets of a corporation
C. Total obligation of a firm
D. An evaluation or a survey, as of abilities or resources

265. **Total number of adults currently employed or actively seeking work in all economic sectors is known as ?**
A. **Labor force**
B. Labor potential
C. Work force
D. All of them

266. **Bank issued a document that authorizes the bearer to receive money from one of its foreign branches or from another bank abroad. What such document is called ?**
A. **letter of Credit**
B. Letter of expression
C. Demand draft
D. Letter of intent

267. **What is referred by the by economic theory “Liberalism” ?**
A. The free market
B. Gold standard
C. Laissez faire
D. All of these

268. **The term liquidate refers to pay off a debt, a claim or an obligation or to settle the affairs by determining liabilities and applying assets to their discharge. What is also converted by the term?**

A. To convert assets into cash
B. Abolish
C. Both of them
D. All of them

269. What is called the overall study of aspects and working of a national economy ?
A. **Macroeconomics**
B. Gross economics
C. Mega economics
D. Micro economics

270. What is called the market in which forces of demand and supply are not in the control of government ?
A. Market Economy
B. Free Market
C. Both of them
D. None of them

271. Monoculture is ?
A. **Farming practice of growing a single crop**
B. Homogeneous Nations
C. Homogeneous market
D. Homogeneous business

272. A company or corporation which was subsidiaries, investments or operation in more than one country is known as ?
A. Multinational corporation
B. Multinational company
C. Both of them
D. None of them

273. How is known the process in which an investment company continually offers new shares and buys existing shares back on demand and uses its capital to invest in diversified securities of other companies ?
A. combine fund
B. Mutual fund
C. Liquid fund
D. Stock holding company

274. Which term is used for the total net value of all goods and services produced in a country in specified period of time ?
A. **National income**
B. Public income
C. Local income
D. Gross income

275. How is termed equal rights of trade of trade without giving monopolies or preferences to an individual country ?

A. **Open door market**
B. Open door country
C. Open sky market
D. Free economy

276. Point out the use of the term price fixing ?

A. Unlawful agreement between manufacturers to set and maintain specified price on typically competing products
B. Artificial setting of price of commodity by government
C. Both of them
D. None of them

277. What is price support ?

A. To increase price artificially
B. Maintenance of price through public subsidy or government intervention
C. To enhance price
D. To maintain price at specific level

278. How is termed a written promise to pay back a specified sum of money at a stated time or on demand ?

A. Promissory Note (PN)
B. Note of hand
C. Both of them
D. None of them

279. What is called the advocacy of protecting domestic producers by impeding or limiting the importation of foreign goods and services ?

A. Domestication
B. Protectionism
C. Localization
D. National interest

280. What is comprised by public sector ?

A. Public corporations
B. Central and local government.
C. Nationalized industries
D. All of them

281. What is the rate of exchange or exchange rate ?

A. Power to buy foreign currency
B. Foreign currency holding
C. Ratio at which unit of one country’s currency is exchanged for unit of another country currency
D. None of them

282. Which term is used for a country's holdings of intentionally acceptable means of payment ?

A. Holdings

B. Reserves

C. Foreign currency

D. Treasure

283. A government program, social security is ?

A. Economics assistance provided by social security

B. Economic assistance to persons who faced unemployment, disability of agedness, financed by assessment of employers and employees

C. Both a & b

D. Nor a nor b

284. Which term is used for an engagement in risky business with the idea of making a large profit in short time ?

A. Idealism

B. Blind game

C. Speculation

D. Risk covering

285. Government granted monetary assistance to a person or a group in support of an enterprise regarded as being in public interest. This is called subsidy. Point out the statement which is also a subsidy ?

A. **Financial assistance given by one person or government to another**

B. Financial assistance given to poor people

C. Financial assistance given to aged people

D. Financial assistance given to small companies

286. Which theory of economic management focuses on encouraging product through tax reduction ?

A. Liberalism

B. Free market economics

C. Supply-side economics

D. Supervised market

287. Government levy tax on imports and exports What this tax is called ?

A. Custom

B. Exercise Duty

C. Tariff

D. Freight

288. A bank deposit, that cannot be withdrawn before the date which is specified at the time of deposit, is called ?

A. Bond deposit
B. term deposit
C. time deposit
D. Fixed investment

289. Trade name is ?
A. Used to identify a commercial product or service
B. By which commodity service or process is known to trade
C. Under which a business firm operates
D. All of them

290. Government borrows in the form of promissory note to repay the bearer after some fixed days from the date of issue. How is called such borrowing ?
A. Bond
B. Treasury bill
C. Term bound
D. Securities

291. What is underwriter ?
A. To assume financial responsibility for grantee against failure
B. To sign so as to assume liability in case of specified losses
C. To guarantee the purchase or to agree to buy the unsold part of stock at fixed time and price
D. All of them

292. What is referred by the Working capital ?
A. Assets of business that can be applied to its operation
B. Amount of current assets that exceeds current liabilities
C. Both of them
D. None of them

293. Which of the following is a price that is equal to the face value of a security ?
A. Balanced
B. At Equilibrium
C. At Par
D. None of them

294. What is called an internet strategy of dealing directly with business rather than consumer ?
A. **B2B**
B. Indirect contact
C. Step by step
D. Trickle down

295. Mention an international trade policy competitive devaluation and increased protective barriers that one country institute to gain at the expense of its trading partners ?

A. Nationalist policy
B. Domestic policy
C. Protectionist policy
D. Beggar-thy-beighbour

296. Quoted bid or highest price on inventor in willing to pay to buy a security is called ?

A. Offer price
B. Bid price
C. Quote price
D. Market price

297. Blue chip company is used in the context of general equities. What does it refer ?

A. A multinational company
B. Large and creditworthy company
C. A conglomerate company
D. A consortium of companies

298. In the context of equities What is called a firm with two divisions that may split into two companies and issue original shareholders two shares for every old share they have ?

A. Spreadsheet
B. Splinter
C. Family growth
D. Butterfly

299. Rules and Particles that govern the management of an organization are called ?

A. Internal laws
B. By laws
C. Character
D. Memorandum of articles

300. What is called a check that is returned by a bank because it is not payable, usually because of insufficient funds ?

A. **Bounce**
B. Return
C. Grossed
D. Refused

301. A market in which prices are in an upward trend is known as ?
A. **Bull market**
B. Beamish market
C. Upward market
D. Hot market

302. Mention the market for trading long-term debt instruments ?
A. Stock market
B. Open market
C. Capital market
D. International market

303. Common market is an agreement between two or more countries. What this agreement permits ?
A. Free movement of capital and labor
B. Free movement of goods and services
C. Both of them
D. None of them

304. What is called interest that is paid previously earned interest as well as on the principal ?
A. Gross interest
B. Simple interest
C. Total interest
D. Compound interest

305. Which branch of accounting provides information to help the management of a firm evaluate production costs and efficiency ?
A. Efficient Account
B. Cost Accounting
C. Ultra-country economic risk
D. Outcome risk

306. Developments in a national economy can affect the outcome of an international financial transaction. What this process is called ?
A. International economic risk
B. Country economic risk
C. Ultra-country economic risk
D. Outcome risk

307. An evaluation of an individual's or company's ability to obligations or its likelihood of not defaulting is known as ?
A. Credibility
B. Credit risk
C. Credit credibility
D. Credit rating

308. What is called that debt obligation backed strictly by the borrower’s integrity ?

A. **Debenture**
B. Securities
C. Credit rating
D. None of them

309. Which of the following is referred by the Debt retirement ?

A. To write-off debt
B. To reschedule debt
C. To repay debt in easy installments
D. The complete repayment of debt

310. Failure to make timely payment of interest or principal on a debt security or to otherwise comply with the provisions of a bound indenture is called ?

A. Rolling debt
B. Bad debt
C. Rescheduling
D. Default

311. Which statistical factor is used to convert current currency purchasing power into inflation adjusted purchasing power ?

A. **Deflector**
B. Purchasing power parity
C. Inflator
D. Deflation

312. What is called that market in which supply overwhelms demand ?

A. Deflated market
B. Depressed market
C. Bearish market
D. Weak market

313. Portion of a company’s profit paid to common and preferred shareholders is called ?

A. Gross Profit
B. Profit share
C. Dividend
D. Right share

314. A tax on imports exports, or consumption goods is called ?

A. Drawback
B. Duty
C. Custom
D. Excise

315. What does mean by ‘Emerging Markets ?

A. **Financial markets of developing economies**
B. Financial markets of East Europe's economies
C. Financial markets of Asian economies
D. Financial markets of Latin America

316. What is Euro ?

A. Deposit outside one's home country but in the home country currency
B. European currency unit, introduced on January 1, 1999
C. Both of them
D. None of them

317. An exchange arrangement was formed in 1979 that governs the currencies of European union member countries. What this arrangement called ?

A. European Currency System (ECS)
B. European Monetary Mechanism (EMM)
C. Common Monetary System (CMS)
D. European Monetary Fund (EMF)

318. What is called that company which make loans to individuals, while not receiving deposits like a bank ?

A. Cooperative company
B. Finance corporation
C. Limited company
D. Finance company

319. Term a country's decision to tie the value of its currency to another country's currency gold or a basket of currencies ?

A. Pagged exchanged rate
B. Fixed exchange rate
C. Relative exchange rate
D. Knotted exchange rate

320. By which process the holder of a mortgage seizes the property of a homeowner who has not made interest and or principal payments on time as stipulated in the mortgage contract ?

A. **Foreclosure**
B. Default
C. Bankrupt
D. None of these

321. Which exchange rate system is characterized by the absence of government intervention ?

A. Free float
B. Clean float

C. Both of them
D. None of them

322. What is called when a private company first offers shares to the public market and investors ?
A. Public offering
B. Public floating
C. going public
D. Coming public

323. What is called the excess of purchase price over fair market value of net assets that are acquired under the purchase method of accounting ?
A. Bonus
B. Up level
C. Goodwill
D. Upgradation

324. What is called that legal process through which a company receives a charter and state in which it is based allows it to operate as corporation ?
A. Going legal
B. Book corporation
C. Chartered corporation
D. Incorporation

325. Which money is called Hot money ?
A. That moves across country borders in response to interest rate differences
B. That moves away when the interest rate differential
C. Both of them
D. None of them

326. Who is insolvent_______________?
A. **A firm that is unable to pay debts**
B. A firm that is liquidated
C. A firm that is for sale
D. A firm that has more liabilities than assets

327. Which form of business organization falls between a corporation and partnership ?
A. joint company
B. Joint stock company
C. Limited joint company
D. Limited Company

328. Keynesian economics is an economic theory of British economist John Maynard. What this theory states ?

A. A free market is necessary for economic growth and stability
B. Regulation is necessary for economic growth and stability
C. Active government intervention is necessary to ensure economic growth and stability
D. Government intervention is not necessary to ensure economic growth and stability

329. What occurs when a firm's business is terminated Assets are sold, proceeds are used to pay creditors, and any leftovers are distributed to shareholders ?
A. Solvency
B. Crash
C. Bankruptcy
D. Liquidation

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C. Bankruptcy
D. Liquidation

340. Interest that is calculated as a simple percentage of the original principal amount is called ?

A. Market interest
B. Easy interest
C. Compound interest
D. Simple interest

341. Which of the following is a form of international reserve assets, created by IMF in 1967 whose value is based on a portfolio of widely used currencies ?
A. **Special Drawing Right (SDR)**
B. IMF Drawing Rights (SDR)
C. International Drawing Right (IDR)
D. Sure, Drawing Rights (SDR)

342. What is called an additional levy added to some charge ?
A. Fine
B. Surcharge
C. Additional Charged
D. Extra charges

343. What is called the difference in the value of a nation’s imports over exports or exports over imports ?
A. Trade deficit
B. Trade simples
C. Both a & b
D. Not a nor b

344. Pick out the generic term for the securities industry firms that buy sell and underwrite securities ?
A. **Wall street**
B. NASDAQ
C. Nikkei index
D. Yahoo index

345. Which of the following is not an indirect tax ?
A. Income tax
B. Sales tax
C. Custom duty
D. Tariff

346. USA is the chief exporter of ?
A. Coal
B. Copper
C. Cotton
D. All of these

347. South Africa is the chief exporter of ?
A. Coffee
B. Copper

C. Diamond
D. Gold

348. Which country is the chief exporter of jute ?
A. Bangladesh
B. India
C. Both of them
D. None of them

349. India is the chief exporter of ?
A. Mica
B. Rubber
C. Silver
D. Gold

350. Malaysia is the chief exporter of ?
A. Jute
B. Diamond
C. Tin
D. Rubber

351. Of which item’s chief exporter is Indonesia ?
A. Gold
B. Silver
C. Wheat
D. Sugar

352. What is called the situation in which a debtor remains unable to pay his creditors in full ?
A. **Bankruptcy**
B. Default
C. Total loss
D. Crash

353. What is called the stock that sells at a high price ?
A. Blue chip
B. Blue Chipper
C. An extremely valuable asset or property
D. All of these

354. Estimated income and plane for expenditure is called Budget. What is Budget deficit ?
A. Less Public spending than amount of revenue corporation
B. Balance between public spending and amount of revenue
C. More public spending than amount of revenue
D. None of them

355. Capital Flight from a country is called ?

A. removal of individual and corporate investment
B. removal of capital drain
C. removal of income
D. All of these

356. Central bank of Pakistan is _________________?
A. **State Bank**
B. National Bank
C. Both of them
D. None of them

357. Who is called Father of Economics ?
A. **Adam smith**
B. David Ricardo
C. David smith
D. Adam Ricardo

358. Name the organization that is managed by those who use its facilities ?
A. Limited Company
B. Society
C. Corporation
D. Cooperative

359. What is called amount of money to purchase the goods and services to maintain life ?
A. Cost living
B. Basic requirement
C. Cost of life
D. None of these

360. Reduction in the circulation of money resulting from fall of prices is known as ?
A. **deflation**
B. inflation
C. cost effective
D. cost

361. Scale for measuring the average share price and percentage change of 30 major US industrial companies is called ?
A. Nikki Index
B. NASDAQ
C. Dow Jones Index
D. Major Index

362. Depression is a drastic decline in a national of international economy It's characteristic is ?

A. Decreasing business activity
B. Falling prices
C. Unemployment
D. All of these

363. What is Dumping ?
A. Sale of goods in large quantities with high quality
B. Sale of goods in large quantities with low quality
C. Sale of goods in large quantities and at a low price
D. Sale of goods in large quantities with high price

364. Gross Domestic Product (GDP) is___________________?
A. **Value of all economic activity with in a nation’s border**
B. Economics output of a country
C. Economic activities of federal government
D. None of these

365. What is the period called 12-months plan of a country to use its funds ?
A. Fiscal period
B. Calendar year
C. Year unit
D. Fiscal year (FY)

366. What is called a country’s total financial obligations to the rest of the world ?
A. Total debt
B. Debt burden
C. National liabilities
D. External debt

367. What is Free port ?
A. Where no export duties are levied
B. Where no import duties are levied
C. Where no export or import duties are levied
D. Where everything can be import or export

368. What is inflation ?
A. **Increase in the amount of circulating money**
B. Lowering of purchasing power
C. Decrease in the amount of circulation money
D. None of these

369. Governmental non-interference in commerce is called ?
A. Free market economy
B. Laissez faire also Laisser faire
C. Open market economy
D. Liberal market economy

370. What is National debt or public debt ?

A. State's borrowing from its population
B. State's borrowing from foreign government
C. state's borrowing from international institution
D. All of these

371. Term the minimum income level below which a person is considered to be living in poverty ?

A. Poverty level
B. Poverty line
C. Both of them
D. None of them

372. What is public sector ?

A. Public corporations
B. Central and local government
C. Nationalized Industries
D. All of them

373. What is called the tax that is levied on retail price of merchandise collected by retailer ?

A. **Sales Tax**
B. General Tax
C. Local Tax
D. Gross Tax

374. Currency that is expected to drop in value relative to other currencies is called ?

A. Local currency
B. Cold currency
C. Lime currency
D. Soft currency

375. Term the average income of the people of a country during a year ?

A. National income
B. Domestic income
C. Protection Income
D. Per capita Income

376. Term the central market for buying and selling all kind of securities ?

A. A big company
B. Stock Exchange
C. Joint stock
D. A multinational company

377. Deregulation is the reduction of government's role in ?

A. Controlling Banks
B. Controlling cooperation

C. Controlling markets
D. None of them

378. What is Euro ?
A. Deposit outside one’s home country but in the home country currency
B. European currency unit, introduced on Jan, 1 1999
C. Both of them
D. None of them

379. Large payment to senior employee who is forced into retirement is called ?
A. Golden bonus
B. Golden shake hand
C. Friendly handshake
D. Golden handshake

380. When the stock market is down falling it is called ?
A. Bullish
B. Bearish
C. Falling
D. Crashing

381. The situation with increasing unemployment and inflation is terms as ?
A. Hyperinflation
B. Reflection
C. Stagflation
D. Galloping

382. Which of the following is regarded as a factor of production ?
A. Capital
B. Interest
C. Profit
D. None of these

383. Which type of income is earned only the actor of production enterprise ?
A. interest
B. Profit
C. rent
D. wages

384. Which of the following must always balance ?
A. The balance of visible trade
B. The balance of invisible trade
C. The balance on the current account
D. The balance of payments

385. Which of the following can be used for check inflation temporarily ?

A. increase in wages
B. Decrease in money supply
C. Decrease in tax
D. None of these

386. The period of high inflation and low economic growth is termed as ?

A. Stagnation
B. Take-off stage in economy
C. Stagflation
D. None of these

387. Devaluation means ?

A. Converting rupee into gold
B. Lowering of the value of one currency in comparison of some foreign currency
C. Making rupee dearer in comparison to some foreign currency
D. None of these

388. With whom would you associate the following quote" The business of business is business" ?

A. **Milton Friedman**
B. Adam smith
C. Alfred Marshal
D. Karl Marx

389. Which of the following groups suffer the most from inflation ?

A. Debtors
B. Creditors
C. Business class
D. None of these

390. Which of the following is an example of government policy that could reduce inflation ?

A. increasing bank lending
B. increasing import duties
C. reducing government expenditure
D. None of these

391. What can a central bank increase in order to reduce consumer borrowing ?

A. commercial bank deposits
B. government bank deposits
C. government spending
D. interest rates
E. None of these

392. The most industrialized country in Asia is ?

A. **Japan**
B. South Korea
C. Taiwan
D. Malaysia

393. What is Black Money ?
A. **Income on which payment of tax is usually evaded**
B. Illegally earned money
C. Money earned through underhand deals
D. None of these

394. Which function is performed by both commercial banks and central banks ?
A. Acting as bankers to the government
B. Advising the government on monetary policy
C. Dealing in foreign exchange
D. Fixing the main interest rate

395. If saving exceeds investment the national income will ?
A. Fall
B. Rise
C. Fluctuate
D. Remain constant

396. Devaluation of currency helps to promote ?
A. National income
B. Saving
C. Imports at lower cost
D. Exports

397. Which company holds the world record for having the maximum number of shareholders ?
A. **Reliance Industries Ltd.**
B. British Gas
C. General Motors
D. State Bank

398. Who is a "Lame Duck" in a stock market ?
A. A new investor
B. A old investor
C. A member of the stock exchange who cannot meet his obligations
D. None of the above

399. A tax which is paid by the person on whom the tax is incident is called a ?
A. Local tax
B. Indirect tax

C. Direct tax
D. Rate

400. The standard of living in a country is represented by its ?
A. National income
B. Per capita income
C. Poverty ratio
D. None of these

401. Transfer payments means ?
A. Bank loans
B. The payment without work
C. Tax payments
D. Payments made to all factors of production

402. What would reduce the role of central planning in a economy ?
A. Increasing government spending
B. Increasing public ownership of firms
C. Increasing the role of markets
D. Removing the profit motive

403. What does price elasticity of demand measure ?
A. Changes in price caused by changes in demand
B. The rate of change of sales
C. The responsiveness of demand to price changes
D. The value of sales at a given price

404. What is the meaning of the term stagflation ?
A. Fall in prices due to less circulation of currency
B. Fall in employment due to declining production
C. High inflation rate combined with high unemployment and unchanged consume demand
D. None of these

405. We measure national income by this method ?
A. Expenditure method
B. Income method
C. Product method
D. All of the above

406. GNP is________________?
A. Total sales in the economy
B. Total monetary transactions in an economy
C. The market value of all goods and services produced in an economy
D. Total spending in an economy

407. Net investment is____________________?

A. Gross investment minus household investment
B. Gross investment minus govt. Investment
C. Gross investment minus capital consumption allowance
D. None of the above

408. Consumption spending does not include ?
A. Household's purchases of food
B. Households' purchase of a car
C. Household's payment of rent for an apartment
D. Household's purchase of stock in any XYZ corporation

409. Which of the following is a withdraw from the circular flow income stream ?
A. Investment
B. Subsidies
C. Taxation
D. Consumption

410. Economic development ?
A. Is the same as economic growth
B. Means improvement in lifestyle
C. Exists when there is equal distribution of income
D. All of the above

411. Which is most likely to cause a more even distribution of income ?
A. An increase in indirect taxes
B. An increase in managers salaries
C. An increase in progressive taxation
D. An increase in the rate of inflation

412. A budgetary deficit means ?
A. **Total expenditure is more than total revenue**
B. Current expenditure is more than current revenue
C. Capital expenditure is more than capital revenue
D. Total expenditure is more than current revenue

413. Gross National income is always more than Net National income because it includes ?
A. Foreign income
B. Capital consumption allowance
C. Indirect taxes
D. Direct taxes

414. According to the law of demand. When ?
A. **Price increase demand decreases**
B. Price decreases demand decreases
C. Price increased demand increases
D. None of these

415. The cause of inflation is ?

A. Increase in money supply
B. Fall in production
C. Increase in money supply and fall in production
D. Decrease in money supply and fall in production

416. What would cause a country's exchange rate to fall ?

A. An increases demand for its exports
B. Increased demand for its imports
C. An increased inflow of capital
D. None of the above

417. When the stock market is rising it is ?

A. Bearish
B. Bullish
C. Hottest
D. Rising up

418. Economic development is measured on the basis of ?

A. Increase in nominal GNP
B. Increase in real GNP
C. Increase in personal income
D. Increase in government revenue

419. Government of Pakistan issues currency on the basis of__________________?

A. Availability of gold in the country
B. Availability of dollars in the country
C. Demand for money in the country
D. Tax collection

420. Velocity of circulation of money means ?

A. The number of times a unit of money changes hands daily
B. The number of times as unit of money changes hands monthly
C. The number of times a unit of money changes hands annually
D. The number of times a unit of money changes value

421. A tariff______________?

A. Increase the volume of trade
B. Reduces the volume of trade
C. Has no effect on volume of trade?
D. A and C of above

422. Pakistan's fiscal years starts from?

A. 1st September
B. 1st January
C. 1st April
D. 1st July

423. The power of a bank to create credit is affected by ?
A. The cash reserve requirement
B. The amount of cash available
C. The number of branches of a bank
D. A and B of above

424. The Liquidity Trap condition occurs at a________________?
A. Low rate of interest
B. Very low rate of interest
C. High rate of interest
D. Very high rate of interest

425. When a commercial bank creates credit its immediate effect is that it raises___________________?
A. The exchange rates
B. The interest rates
C. The money supplies
D. The real national income

426. When the State Bank wants to decrease money supply in the country, it ________________?
A. Buys govt. securities in stock market
B. Sells govt. securities
C. Lowers discount rate
D. B and C of above

427. Treasury bill is used for__________________?
A. **Getting short term loans**
B. Getting long term loans
C. Treasury bill in not credit instrument
D. Treasury bill is a govt. tax bill

428. The bank established for loans to very small enterprises in Pakistan is called________________?
A. **Micro Finance Bank**
B. Moderba Bank
C. SME- Bank
D. First MINI Bank

429. Which of the following is not a function of a commercial bank?
A. Accepting public deposits
B. Granting loan and advances
C. Undertaking agency functions
D. Banker to the government

430. Balance of payments of a country includes ?
A. Balance of trade
B. Capital receipts and payments

C. Savings and investment account
D. A and B of above

431. Which city in Germany has the distinction of housing the first car manufacturing plant in the world ?
A. Frankfurt
B. Bonn
C. Berlin
D. Stuttgart

432. Commercial policy means________________?
A. Policy about markets
B. Policy about money supply
C. Policy about imports and exports
D. Policy of controlling of prices of goods

433. Oil is measured in barrels. What is the abbreviation for barrels_________________?
A. Brl
B. Bel
C. Bbl
D. Obl

434. Exchange rate of which of the following currencies falls because of persistent balance of payments deficit ?
A. Gold currency
B. Hard currency
C. Silver currency
D. Soft currency

435. From each according to his ability to each according to his need is the theoretical slogan of ?
A. Feudal System
B. Capitalist System
C. Fascist System
D. Communist System

436. Which of the following is a valid currency_______________?
A. Promissory note
B. Currency note
C. Exchange rate
D. Bank cheque

437. Two countries can gain from foreign trade if ?
A. Cost ratios are different
B. Tariff rates are different
C. Price ratios are different
D. A and C of above

438. What is deflation_________________?

A. Deficit Budget
B. Reduction in taxation
C. Increase in public expenditure
D. Reverse of inflation

439. In 1980 the U.S imposed export quotas on grain sold to the Soviet Union in response to its armed invasion of Afghanistan if other nations do not increase grain exports to the soviets all the following would likely occur except?

A. Grain prices would rise in the Soviet union
B. Consumer surplus would decrease for the soviets
C. Grains prices would rise in the united States
D. Export revenues would decrease for U.S producers

440. Concerning economic sanctions, export embargo induces greater losses in consumer surplus for the target country the?

A. lesser it initial dependence on foreign produce goods.
B. more elastic the target country demand schedule
C. greater then available output from alternative suppliers
D. more in elastic the target country supply scheduleB.

441. The strongest political pressure for a trade policy that results in higher protectionism comes from?

A. domestic workers lobbying for import restriction
B. domestic workers lobbying for export restrictions
C. domestic consumers lobbying for export restrictions
D. domestic consumers lobbying for import restrictions

442. When one country provides most favored nation status (normal trade relations) for another, it agrees to ?

A. charge the nation’s products a lower tariff than any other nation’s
B. charge that nation’s products a tariff rate no higher than that on any other nation
C. charge that nation’s products a higher tariff than any other nation’s
D. exports to that nation any products that it wants to purchase

443. Countervailing duties levied by the U.S government are imposed to offset ?

A. foreign dumping of goods in the U.S
B. subsidies granted to foreign firms that export to the U.S
C. buy national policies of foreign government
D. stringent environmental regulations of foreign government s

444. To help its firms penetrate Mexico’s radio market suppose the Japanese government provides them a subsidy of $15 for each radio shipped to Mexico As a result of this trade policy ?

A. The price of radios in Mexico equals $60 and its imports equal 30 radios

B. The price of radios in Mexico equals $30 and its imports equal 30 radios

C. The price of radios in Mexico equals $40 and its imports equals 20 radios

D. Th price of radios in Mexico equals $20 and its imports equal 40 radios

445. All of the following are fundamental to the World Trade Organization except ?

A. **bilateral tariff reductions to promote trade liberalization**

B. the use of the most-favored nation clause (normal trade relations)

C. nondiscrimination in trading relationships

D. the prohibition of import quotas and export quotas

446. Following World War II the United States and other countries sought to liberalize trade among each other the first major postwar step toward trade liberalization was the ?

A. **General Agreement on Tariffs and Trade**

B. World Trade Organization

C. Smoot Hawley Organization

D. McKinley Agreement on Trade policy

447. According to the United States ____ is the number one violator of intellectual property rights

A. Canada

B. Australia

C. Japan

D. China

448. Suppose that Russia steel firms engage in dumping in the German market in terms of overall economic welfare, German welfare would ________ as the result of the dumping?

A. **increase**

B. decrease

C. not change

D. None of These

449. _________ are quotas that result in a total prohibition of trade?

A. **embargoes**

B. tariff-rate quotas

C. voluntary export restraints
D. nontariff barriers

450. Which round of international trade negotiations resulted in the creation of the World Trade Organization ?
A. Kennedy Round of 1964-1967
B. Tokyo Round of 1973-1979
C. Uruguay Round of 1986-1993
D. Doha Round of 2003-2007

451. The organization that currently establishes rules of conduct for firms engaging in international trade is the ?
A. World Bank
B. International Trade Commission
C. Department of justice
D. World Trade Organization

452. The U.S has granted China permanent most favored nation treatment (normal trade relations) This means that the tariff schedules which apply to U.S imports from china ?
A. have tariff rates equal to zero suggesting a free trade policy for the United States
B. have lower tariff rates than the rates that apply to any other country sending goods to the United States
C. have tariff rates that are identical to the rates that apply to other countries to which the U.S grants most-favored nation treatment
D. have lower tariff rates than the rates that apply to other countries to which the U.S grants most favored nation treatment

453. Economic sanctions?
A. are prohibited by the World Trade Organization
B. affect international trade but not international financial flows
C. involve restrictions on imports, but not exports
D. involve restrictions in imports exports and or financial flows

454. Referring to the above, the embargo was mainly resisted by ?
A. U.S grains consumers and producers of bread
B. U.S farmers and grains companies
C. Grain Producers in foreign countries
D. Grain consumers in foreign countries

455. During the post-world War II era?
A. Nontariff barriers (NTBs) and tariffs have increased in relative importance
B. NTBs and tariffs have decreased in relative importance
C. NTBs have increased and tariffs have decreased in relative

importance
D. NTBs have decreased and tariffs have increased in relative importance

456. The institutional framework developed in 1947 to promote trade liberalization is known sa?
A. the WTO
B. the GATT
C. the IMF
D. the World Bank

457. Those who argue in favor of import protection generally give the impression that such restricted trade will?
A. decrease the level of national security
B. provide benefits to some particular industry
C. provide benefits to the entire nation
D. not yield welfare losses for the nation

458. Under free trade suppose that Japan can supply radios t mexico at the price of $45 Therefore, Mexico’s imports equal ?
A. 5 radios
B. 10 radios
C. 15 radios
D. zero radios

459. Compared to what occurred under free trade, Mexico’s producer surplus ____ and consumer surplus ____ as a result of the subsidy Use the figure that you have plotted to calculate the amounts ?
A. decreases, decreases
B. decreases, increases
C. increases, decreases
D. increases, increases

460. The World Trade Organization is sometimes criticized for all of the following reasons except?
A. it reduces the sovereignty of member countries
B. favors free trade over the quality of the environment
C. it has no way to solve trade disputes among member countries
D. it is a puppet of multinational corporations

461. Antidumping duties applied to imported goods ?
A. are abolished by the World Trade Organization
B. result in decreases in consumer surplus for domestic households
C. are imposed by industrial countries but not developing countries
D. result in lower-priced goods for domestic consumers

462. ________ protection such as the escape clause, provide temporary protection to domestic industries facing competition from fairly traded foreign goods?

A. generalized system of preference
B. countervailing duty
C. domestic content
D. safeguards

463. Concerning dumping, which of the following is true ?

A. predatory dumping represents the most common form of dumping by U.S firms
B. U.S firms can obtain protection from foreign dumping, even though this protection tends to harm overall U.S welfare
C. dumping can never be a profit-maximizing strategy for U.S firms to pursue
D. U.S firms rarely if ever, engage in distress dumping or persistent dumping

464. The result of antidumping tariffs is to ?

A. increase consumer surplus in the importing country
B. decrease producer surplus in the importing country
C. impose a price floor on foreign prices in the importing country
D. impose a price ceiling on foreign price in the importing country

465. The effect of the most favored nation (normal trade relations) clause is to ?

A. eliminate all tariffs between countries
B. increase all tariffs between countries
C. maintain a nondiscriminatory structure of tariffs
D. maintain a discriminatory structure of tariffs

466. The theory of suggests that government can assist domestic companies in capturing economic profits from foreign competitors ?

A. international dumping
B. countervailing duties
C. Strategic trade policy
D. export promotion policy

467. Which industrialization policy have developing countries used which places emphasis on the comparative advantage principle as a guide to resource allocation ?

A. **export promotion**
B. import promotion
C. international commodity agreements
D. multilateral contracts

468. Concerning the hypothesis that there has occurred a long run deterioration in the developing countries terms of trade empirical studies provide ?
A. **mixed evidence that does not substantiate the deterioration hypothesis**
B. overwhelming support for the deterioration hypothesis
C. overwhelming opposition to the deterioration hypothesis
D. None of the above

469. The arrangement where goods imported from trading partners in the developing world are subject to lower tariff rates than goods from other countries is referred to as ?
A. normal trade relation status
B. most favored nation status
C. offshore assembly provisions
D. Generalized System of Preferences

470. To be considered a a good candidate for an export cartel, a commodity should ?
A. be a manufactured goods
B. be a primary product
C. have high price elasticity of supply
D. have a low price elasticity of demand

471. To help developing nations strengthen their international competitiveness many industrial nations have granted non-reciprocal tariff reductions to developing nations under the ?
A. international commodity agreements program
B. multilateral contract program
C. generalized system of preferences program
D. export-led growth program

472. To stabilize the prices of primary products international commodity agreements have utilized all of the following except ?
A. **tariff-rate quotas applied to imported goods**
B. production and export controls
C. buffer stocks
D. multilateral contracts

473. Among the institutions and policies that have been created to support developing countries are?
A. the world Bank
B. the international Monetary Fund
C. The Generalized System of Preferences
D. All of the above

474. Concerning tariff policy, the United States does not charge?

A. lower tariff rates on goods from nations with normal trade relation status
B. lower tariff rates on goods from nations with most favored nation status
C. low or zero tariffs on goods from certain developing countries
D. identical tariff rates in products from all countries of the world

475. Most of developing-country exports consist of ?
A. **primary products such as tin and bauxite**
B. intermediate products
C. labor-intensive agricultural products
D. labor-intensive manufacturing products

476. Tariff levels in advanced countries tend to be ___________ tariff levels in developing countries?
A. higher than
B. equal to
C. lower than
D. there is no general pattern

477. Developing countries that emphasize the production of raw materials or agricultural goods may realize a long-run deterioration in the international terms of trade because of ?
A. relatively low import tariffs maintained by advanced countries
B. highly elastic demand for these products in advanced countries
C. declines in the supplies of these products on world markets
D. sluggish demand for these products in advanced countries

478. The Generalized System of Preferences (GSP) program allows ?
A. **developing country export to advanced countries to receive preferential tariff treatment**
B. developing country imports from advanced countries to receive preferential tariff treatment
C. any developing country to ignore the most-favored nation clause
D. any advanced country to ignore the most favored-nation clause

479. Suppose that the world price of tin is above the target (ceiling) price that is defined by an international commodity agreement. To move the world price toward the target price, a buffer stock agreement would require its buffer stock manager to _____ tin and an export quota agreement would require that member countries __________ their export of tin?
A. purchase; decrease
B. purchase; increase
C. sell; increase
D. sell; decrease

480. Suppose that the supply curve of tin is highly inelastic. If the demand curve of tin decrease and increase cyclically along the supply curve of tin, then in this market the size of the quantity fluctuation will bathe size of the price fluctuations ?

A. relatively greater than
B. relatively less than
C. the same as
D. Any of the above

481. Economic growth occurs because ?

A. labor forces increase
B. capital stocks increase
C. new inventions increase productivity
D. All of the above

482. The OPEC oil cartel ?

A. has shown that is easy to achieve cooperation among cartel members
B. was successful in raising oil prices in the 1970s but was disbanded in the 1980s
C. has shown greater success in realizing profits during periods of global recession
D. has had a level of success in raising oil prices that other developing countries are unlikely to achieve with other primary commodities

483. The People’s Republic of China ?

A. is the first of the East Asian countries to be recognized for a successful outward-oriented development strategy
B. has retained to the present time its strategy of import substitution as a source of economic growth
C. has always accounted for a significant share of international trade, given its very large population
D. has significantly increased its openness to international trade and foreign investment in recent decades

484. Which of the following organizations primarily provides long-term loans to developing countries to help them develop their infrastructure such as schools hospitals and roads ?

A. **World Bank**
B. International Monetary Fund
C. Council on Foreign Relations
D. Organization of petroleum Exporting Countries

485. Assume That the firms operate as purely competitive sellers (a purely competitive industry) In the long run, equilibrium price

equals _________ quantity equals _________ and profits total _________?

A. $100, 2 million barrels per day $60 million
B. $80, 4 million barrels per day $70 million
C. $60, 6 million barrels per day, $20 million
D. $40, 8 million barrels per day, $0 million

486. Assume that global recession causes the quantity of tin demanded to decrease by 4 million pounds at each price To maintain the price of tin at the target price you would ?

A. sell 4 million pounds of tin
B. sell 8 million pounds of tin
C. buy 4 million pounds of tin
D. buy 8 million pounds of tin

487. Instead, assume that global economic expansion causes the quantity of tin demanded to increase by 4 million pounds at each price To maintain price of tin at the target price you would ?

A. **sell 4 million pounds of tin**
B. sell 8 million pounds of tin
C. buy 4 million pounds of tin
D. buy 8 million pounds of tin

488. A widely used indicator to differentiate developed countries from developing countries is ?

A. international trade per capita
B. real income per capital
C. unemployment per capita
D. calories per capita

489. For the oil-importing countries, the increase in oil prices in 1970s and early 2000s contributed to all of the following except ?

A. balance of trade deficits
B. price inflation
C. constrained economic growth
D. improving terms of trade

490. Hong Kong and South Korea are examples of developing nations that have recently pursued ________ industrialization policies?

A. import substitution
B. export promotion
C. commercial dumping
D. multilateral contract

491. To be considered a good candidate for export cartel, a commodity should ?

A. be a manufactured good
B. be a primary product
C. have a low price elasticity of supply
D. have a high price elasticity of demand

492. All of the following are trade problems of developing countries except?
A. unstable export markets
B. improving terms of trade
C. limited access to the markets of industrial countries
D. highly elastic demand curves for their products

493. The ability of the Organization of Petroleum Exporting Countries (OPEC) to maximize profits is hampered by ?
A. a lack of substitutes for oil
B. similar cost schedules for member countries
C. highly inelastic world demand curve for oil
D. economic recession for oil importing nations

494. Which of the following strategies have developing countries not used to deal with the problem of unstable export markets ?
A. multilateral contracts
B. production and export controls
C. buffer stock arrangements
D. tariff-rates quotas

495. Because supply and demand conditions for primary products are very price inelastic their prices ?
A. have been steadily rising in recent decades
B. have been more stable than the prices of manufactured goods
C. fluctuate about as much as the prices of manufactured goods
D. tend to be very unstable from year to year

496. Import substitution is an example of ?
A. the principle of comparative advantage
B. the principle of absolute advantage
C. an outward-looking growth strategy
D. an inward-looking growth strategy

497. Export-led growth strategies tend to emphasize ?
A. resource allocation based on the principle of absolute advantage
B. resource allocation based on the principle of comparative advantage
C. trade protection for import-competing firms
D. trade protection for exporting-competing firms

498. __________ policies attempt to foster industrialization by establishing high barriers to imports of foreign goods to promote local production ?

A. absolute advantage

B. comparative advantage

C. export-led growth

D. import substitution

499. In the Px = export price index, Pm = import price index, Qx = export quantity index,and Qm = import quantity index. Developing countries tend to maintain that their commodity term of trade have declined over the long run suggesting that __________ has declined?

A. **Px/Pm**

B. Pm/Px

C. (Pm/Px)Qm

D. (Px/Pm)Qx

500. Suppose that the demand curve for tin is highly inelastic. If the supply curve of tin decrease and increase cyclically along the demand curve for tin then in this market the size of the price fluctuation will be ___________ the size of the quantity fluctuations?

A. **relatively greater then**

B. relatively less than

C. the same as

D. any of the above

501. An export quota agreement to stabilize the price of bauxite tends to be more successful when the member producer countries as a percentage of the world's producer countries is ___________ and the __________ it is for the member producer countries to store/stock pile bauxite?

A. relatively small; more difficult

B. relatively small; easier

C. relatively large; more difficult

D. relatively large; easier

502. Developing countries that concentrate production in agricultural products or raw materials may face a long-run decline in their international terms of trade because of ?

A. inelastic demand for these products in advanced countries

B. large increases in the supplies of these products on world markets because of export expansion policies

C. sluggish demand for these products in advanced countries

D. All of the above

503. The pattern of economic growth describes the phenomenon of countries moving up in technological development by following the patterns of countries ahead of them in the development process ?
A. **flying geese**
B. import substitution
C. export orientation
D. commodity expansion

504. Membership in the World Trade Organization for china ?
A. has been a matter of low priority for the Chinese government
B. was achieved in the early 1950s
C. has been opposed by a number of labor and human rights organizations in other countries
D. has had negligible effect on trade between china and the United States

505. Poor developing countries typically impose __________ tariffs than rich advanced nations on imports?
A. lower
B. higher
C. about the same height
D. None of the above

506. Suppose that the firms collude and become a cartel The best level of output for the cartel as a whole is ___________ the price equals __________ and profits total __________?
A. 2 million barrels per day, $100, $60 million
B. 4 million barrels per day, $80, $160 million
C. 6 million barrels per day, $60, $60 million
D. 8 million barrels per day, $40, $20 million

507. One criticism of Rostow’s theory of economic growth is that ?
A. much available data contradicts his thesis about the takeoff stage
B. there is no explanation of why growth occurs after takeoff
C. his hypothesis of the stages of growth is difficult to test empirically
D. All of the above are correct

508. According to the supply side of the vicious circle theory of development a country is poor because ?
A. technology levels do not allow for self sufficiency
B. it was previously too poor to save and invest
C. underemployment is too widespread
D. resource allocation is poor

509. The Vicious circle theory states that ?
A. growing government assistance create addiction to welfare programs

B. low income levels create pressure for money creation
C. low income levels create pressure for cheap imports
D. low per capita incomes creates low savings that keep incomes low

510. Surplus labor theories assume that ?
A. LDCs are overpopulated
B. labor contributes nothing to output in LDCs
C. the marginal products of labor is closed to zero in LDCs
D. urban unemployment is high in LDCs

511. During the 1980s and 1990s a period of economic conservative governments in much of West and Japan, a leading approach among development economists was ?
A. **neoclassicism**
B. Marxism
C. Rostow's model
D. classical appraoch

512. Which of the following was not a classical economist ?
A. Adam Smith
B. Thomas R. Malthus
C. John Stuart Mill
D. John Maynard Keynes

513. Karl Marx's historical materialism views were shaped by all of the following EXCEPT ?
A. The French Revolution
B. The rise of industrial and capitalist production
C. Political and labor revolts
D. a growing spiritual rationalism

514. Rostow's economics stages are ?
A. The preconditions for takeoff, the takeoff, the drive to maturity and the age of creative destruction
B. The traditional society the preconditions for takeoff, the takeoff, the drive to maturity and the age of high mass consumption
C. the preconditions for consumption the replication the drive to maturity and the age of high mass consumption
D. the learning curve the age of high mass consumption post takeoff, and the drive to maturity

515. The synchronized application of capital to a wide range of different industries is called __________ by its advocates?
A. **balanced growth**
B. capitalization

C. elasticity of capital
D. indivisibilities

516. A major dependency theorist Andre Gunder Frank Suggests that the following economic activities have contributed to underdevelopment:
I- Workers migrating from villages to foreign-dominated urban complexes
II- Forming an unskilled labor force to work in factories and mines and on plantations
III- Replacing indigenous enterprises with technologically more advanced global subsidiary companies
IV- Closing the economy to trade with and investment from, developed countriesI and II only
B. II and III only
C. I, II and III only
D. I , II III and IV

517. The Lawis model explains how growth gets started in a less developed economy ?
A. with an average product of labor in agriculture that is negative
B. with a downward-sloping supply curve of labor
C. with a marginal productivity of labor zero or negligible in industry
D. with a traditional agricultural sector and an industrial capitalist sector

518. The Ultimate effect of the invisible hand of Adam Smith is that in a competitive economy everyone ?
A. **benefits if each acts in his/her own interest**
B. will increase their profits in a free market
C. should act to maximize economic growth
D. should act to promote the public interest

519. Criticisms of Rostow's stages of development include ?
A. the difficulty of testing the stages scientifically
B. conditions for takeoff are contradicted by historical evidence
C. characteristics of one stage are not unique to that stage
D. All of the above are correct

520. Baran's Neo-Marxist thesis has been criticized for ignoring the probability that power is frequently ?
A. based on an alliance between landowners and peasants
B. based on an alliance between peasants and the foreign bourgeoisie
C. transferred from one elite to another when revolution occurs
D. derived from domestic opponents of nationalism

521. The Harrod Domar growth model suggests that growth is ?

A. **directly related to savings and inversely related to the capital/output ratio**

B. directly related to the capital/output ratio and inversely related to savings

C. indirectly related to savings and the capital/output ratio

D. directly related to savings and the capital/output ratio

522. A theory ?

I- is a systematic explanation of relationships between economic variables

II- explains causal relationships among variables

III- provides a basis for policy

IV- provides an explanation of all factors influencing economic growth.

523. I only

B. I and II only

C. I , II and III only

D. IV only

524. Adam Smith advocated ?

I- laissez faire

II- the invisible hand

III- free trade policy

IV- competitive markets

525. I and II only

B. II and III only

C. I , II and III only

D. I , II , III and IV

526. Feudalism was undercut by?

I- the migration of serfs to the town

II- factory competition with handicraft and manorial production

III- expanded transport trade, discovery and new international markets

IV- the rise of the business corporation

527. I and II only

B. II and III only

C. I, II and III only

D. IV only

528. The Vicious circle theory indicates that ?

A. a country is poor because it has lower productivity but high savings

B. as countries grow richer they save less

C. poverty perpetuates itself in mutually reinforcing circles on

supply and demand sides
D. market size is large in LDCs

529. For Rosentein Rodan a major indivisibility is in ?
A. Supply
B. infrastructure
C. agriculture
D. services

530. OECD stands for ?
A. **Organization for Economic Cooperation and Development and Development**
B. Oil Exporting Countries Development
C. Organization for Environmental cooperative Department
D. Open Economies Caucus on Development

531. What is Baran's explanation for underdevelopment in Asia, Africa, and Latin America ?
A. monopolistic business from abroad
B. reactionary ruling coalitions
C. weak domestic middle class
D. All of the above

532. The essential difference between capitalism and socialism is that ?
A. capitalism exploits the worker and socialism exploits the property owner
B. capitalism relies on the market to make economic decisions and socialism uses central planning
C. capitalism grows through rent seeking and socialism grows through government direction
D. capitalism relies on consumer satisfaction to dictate choices and socialism relies on producer satisfaction

533. The misery index Which some commentators suggest measures the health of the economy, is ?
A. The sum of the growth rate of output and the inflation rate
B. The sum of the natural rate of unemployment and the actual rate of unemployment
C. The sum of the inflation rate and the central bank's refinancing rate
D. The sum of the unemployment rate and the inflation rate

534. The Phillips curve is an extension of the model of aggregate supply and aggregate demand because, in the short run, an increase in aggregate demand increase price and ?
A. **decreases unemployment**
B. decrease growth

C. increases unemployment
D. decreases inflation

535. If, in the long run, people adjust their price expectations so that all prices and incomes move proportionately to an increase in the price level then the long-run Phillips curve ?
A. **is vertical**
B. is negatively sloped
C. has a slope that is determined by how fast people adjust their price expectations
D. is positively sloped

536. An increase in expected inflation ?
A. shifts the short run Phillips curve downward and the unemployment inflation trade-off is less favorable.
B. shifts the short-run Phillips curve upward and the unemployment inflation trade-off is more favorable
C. Shift the short-run Phillips curve downward and the unemployment inflation trade-off is more favorable
D. Shifts the Short run Phillips curve upward and the unemployment inflation trade-off is less favorable

537. When actual inflation exceeds expected inflation ?
A. Unemployment is equal to the natural rate of unemployment
B. People will reduce their expectations of inflation in the future
C. Unemployment is greater than the natural rate of unemployment
D. Unemployment is less than the natural rate of unemployment

538. The natural rate hypothesis argues that ?
A. **in the long run the unemployment rate returns to the natural rate, regardless of inflation**
B. Unemployment is always below the natural rate
C. Unemployment is always above the natural rate
D. Unemployment is always equal to the natural rate

539. Refer to Exhibit 6.If People in the economy expect inflation to be 6 percent but inflation turn out to be 3 percent the economy is operating at point ?
A. H
B. c
C. d
D. F

540. Refer to Exhibit 6. Suppose the economy is operating at point (D) As people revise their price expectations ?
A. The short-run Phillips curve will shift in the direction of the short-run Phillips curve associated with an expectation of 3 percent

inflation
B. The short-run Phillips curve will shift in the direction of the short-run Phillips curve associated with an expectation of 9 per cent inflation
C. The short-run Phillips curve will shift in the direction of the short-run Phillips curve associated with an expectation of 6 percent inflation
D. The long-run Phillips curve will shift to the left

541. Refer to Exhibit 6. Suppose the economy is Operating in long-run equilibrium at point E. In the long run a monetary contraction will move the economy in the direction of point ?
A. F
B. a
C. H
D. I

542. If the sacrifice ratio is five, a reduction in inflation from 7 percent to 3 percent would require ?
A. **a reduction in output of 20 percent**
B. a reduction in output of 5percent
C. a reduction in output of 15 percent
D. a reduction in output of 35 percent

543. Macroeconomics is the branch of economics that deals with ?
A. imperfectly competitive markets:
B. Only the long run adjustments to equilibrium in the economy
C. The functioning of individual industries and the behavior of individual decision-making units business firms and households
D. the economy as a whole

544. Macroeconomic theory that emphasized the theories of Keynes and de-emphasized the classical theory developed as the result of the failure of ?
A. economic theory to explain the simultaneous increases in inflation and unemployment during the 1970s
B. The classical model to explain the prolonged existence of high unemployment during the Great Depression
C. fine tuning during the 1960s
D. the economy to grow at a rapid rate during the 1950s

545. An index of prices of all domestically produced goods in the economy is the ?
A. wholesale price index (WPI)
B. Consumer price index (CPI)
C. GDP deflator
D. Producer price index (PPI)

546. The length of a business cycle would be measured from ?

A. the slump to the expansion
B. peak to peak
C. peak to trough
D. trough to peak

547. Aggregate demand includes only ?
A. **consumer expenditure government expenditure and investment**
B. consumer expenditure investment government expenditure and exports less imports
C. consumer debt investment debt and government debt consumer expenditure and investment

548. Total injection are made up of?
A. investment + tax + exports
B. savings + government expenditure + exports
C. investment + government expenditure + imports
D. investment + government expenditure + exports

549. Real GDP is nominal GDP measured in constant ?
A. taxes
B. prices
C. exchange rates
D. interest rates

550. Purchasing power parity exchange rates are used to ?
A. **compare living standards of different countries**
B. pay wages b multinational companies
C. estimate the costs of economic growth
D. convert nominal GDP to real GDP

551. The key issues of macroeconomics are ?
A. unemployment
B. inflation
C. economic growth
D. All of the above

552. In the economy when a steel producer sells steel to car producer it is regarded as ?
A. a final good
B. an intermediate good
C. an injection
D. a leakage

553. Injection into the circular flow are _______ and ___________?
A. consumption investment exports
B. investment exports transfer payments

C. investment government expenditure exports
D. taxes exports, transfer payments

554. Nominal GNP measures income ?
A. At the present time
B. corrected for tax changes
C. corrected for changes in interest rates
D. At current prices

555. Real GNP is a crude measure of national welfare because it excludes ?
A. consumption
B. investment
C. exports
D. work in the home

556. In a macroeconomic model without foreign trade or a government aggregate demand is the sum of ?
A. personal saving and private investment
B. personal saving and personal consumption
C. personal consumption and private investment
D. None of the above

557. A linear consumption function with a positive slope less than one means that if income increases consumption will ?
A. fall
B. not change
C. fluctuate
D. increase

558. If desired spending in the economy exceeds income we would expect ?
A. households to save more
B. firms to produce less
C. firms to produce more
D. the MPC to change

559. The multiplier tells us how much __________ changes after a shift in ____________?
A. consumption income
B. investment output
C. savings investment
D. output aggregate demand

560. If the MPC is 0.5 the multiplier is ?
A. 2
B. 1/2

C. 0.2
D. 20

561. Aggregate demand without a foreign sector is the sum of ?
A. C + 1
B. C + G
C. I + G
D. C + 1 + G

562. Starting from a balanced budget, for a given tax rate, an increasing in income will cause the government budget to ?
A. **move into surplus**
B. move into deficit
C. remain unchanged
D. None of the above above

563. Aggregate demand in an economy trading internationally with a government sector can be written as ?
A. AD = C + I
B. AD = C + I + G
C. AD = C + I + G + X + Z
D. AD = C + I + G + X – Z

564. when the level of income _________ there will be a tendency for the trade balance to improve as imports?
A. increase, increase
B. falls, increase
C. falls, fall
D. increase, fall

565. Higher export demand __________ output and a higher MPZ __________ output?
A. reduces, reduces
B. reduces, increase
C. increase, reduces
D. increases, increases

566. The diagram that shows the income received and payments made by each sector of the economy is the ?
A. income-expenditures diagram
B. aggregate demand-aggregate supply diagram
C. circular flow diagram
D. income-price diagram

567. The percentage of the labor force that is unemployed is the ?
A. **unemployment rate**
B. labor force rate

C. employment rate
D. unemployment population ratio

568. The index used most often to measure inflation is the?
A. wholesale price index (WPI)
B. GDP deflator
C. Producer price index (PPI)
D. consumer price index

569. It has become conventional classify a recession as a period where national output falls for __________ or more?
A. three years
B. six months
C. a year
D. two years

570. Indicate below what is NOT a main macroeconomic goal ?
A. Increasing North Sea oil production
B. Reducing unemployment
C. Achieving a sustainable rate of economic growth
D. Reducing inflation

571. According to the classical economists, the only gainers from growth would be ?
A. **landlords**
B. peasants
C. The army
D. politicians

572. Total withdrawals from the circular flow of income include ?
A. consumption savings and taxes
B. savings government expenditure and imports
C. savings taxes and exports
D. savings taxes and imports

573. Equilibrium in the circular flow of income occurs when ?
A. **Injections = withdrawals**
B. There is a Bank Holiday
C. Injections withdrawals
D. None of these

574. The underground economy consists of ?
A. legal transactions
B. part of the rail network
C. legal transactions not declared for tax and illegal activities
D. the water distribution system

575. Two of the major factors contributing to growth are ?

A. **resources and efficiency**
B. money and efficiency
C. money and luck
D. resources and a good climate

576. Aggregate supply is the total amount ?
A. produced by the government
B. of products produced by a given industry
C. of labor supplied by all households
D. of goods and services produced in an economy

577. In an economy measuring (1) total value added (2)total spending on final goods and (3)total factor earning gives the result that ?
A. 3>2>1
B. 3=2=1
C. 3<2<1
D. any measure can be larger or smaller than any other

578. Leakages from the circular flow are __________ and ___________?
A. investment, savings, government expenditure
B. savings, taxes net of subsidies imports
C. consumption investment government expenditure
D. consumption taxes imports

579. In the circular flow we would expect leakages to ____________ injections?
A. **equal**
B. be less than
C. be greater than
D. be less or greater than

580. Real GNP measures income ?
A. including non-market activities
B. adjusted for inflation
C. including externalities
D. including tax evasion

581. When we refer to the hidden economy we mean unrecorded income owing to ?
A. **tax evasion**
B. poor statistics
C. the lags between statistical collection and publication
D. smuggling

582. Short-run equilibrium output means that aggregate demand ___________ actual output?
A. is less than
B. equals

C. is greater than
D. fluctuates around

583. When investment is assumed to autonomous the slope of the AD schedule is determined by the ?
A. marginal propensity to invest
B. disposable incomes
C. marginal propensity to consume
D. average propensity to consume

584. The multiplier is calculated as___________?
A. 1(1-MPC)
B. 1/MPS
C. 1/MPC
D. a or b

585. If a result of households wish to save more there is a change in equilibrium income and no change in equilibrium saving this is an example of ?
A. market imperfection
B. the law of diminishing returns
C. the paradox of thrift
D. market failure

586. If the government increases spending and raises taxes by just enough to finance this increase it will ?
A. leave output unchanged
B. increase output
C. reduce output
D. increase the MPC

587. For given government spending and taxation the government budget deficit will grow in _________ and decline in __________?
A. booms, booms
B. recession, recession
C. booms, recessions
D. recessions, booms

588. The total multiplier for the economy will reflect ?
A. MPC and MPT
B. MPT and MPZ
C. MPC and MPZ
D. MPC, MPT and MPZ

589. In an Open economy leakage to imports ____________ the value of the multiplier ?
A. **reduce**
B. increase

C. do not change
D. None of the above

590. Lespeyres type indexes use weights from______________?
A. current period
B. base-period
C. forecasting
D. future year

591. Tuvalu is composed of 9 coral atolls along a 360-mile chain in Polynesia They gained independence in 1978 The former Ellice Island are home to 9,700 people if GNP of Tuvalu is $300 million in 2005 GNP per capital is ?
A. 9700 (1978 / 2005)
B. 300 / 360
C. 300 000 000 / 9700
D. 32.333

592. IF GNP per capita at constant prices for Liechtenstein a microstate of 29,000 people located on the Rhine River between Switzerland and Austri is US$555 and US$560 in 2011 and 2012 respectively, the real economic growth from 2011 to 2012 is ?
A. 5%
B. 0.901%
C. 0.090%
D. 0.991%

593. All of the following are high income countries except ?
A. Singapore
B. U.K
C. Japan
D. South Africa

594. Economic development refers to ?
A. economic growth
B. economic growth plus changes in (c) output distribution and economic structure
C. improvement in the well-being of the urban population
D. sustainable increase in Gross National Product

595. If GDP for Palau a small country near southeast of the Philippines is $130 million in 2012 and its population is 20,000 GDP per capita is ?
A. **6500**
B. 130
C. 0.0065
D. 650

596. **IF GDP for Maldivies is $435 million in 2012 and the GDP per capita is $1576.087 the population of the country must be ?**

A. **276,000**
B. 1576,086
C. 0.276
D. 3.623

597. **Who is called the father of Economics?**

A. J.P Kense
B. David Ricordo
C. Adam Smith
D. Mankew

598. **For economists, the word "utility" means:**

A. versatility and flexibility
B. rationality
C. pleasure and satisfaction
D. purposefulness

599. **In economics, the pleasure, happiness, or satisfaction received from a product is called ______?**

A. marginal cost
B. rational outcome
C. status fulfillment
D. utility

600. **When economists say that people act rationally in their self interest, they mean that individuals _______?**

A. **look for and pursue opportunities to increase their utility**
B. generally disregard the interests of others
C. are mainly creatures of habit
D. are unpredictable

HRM, Marketing, Accounting, Auditing) Judiciary and Law, Agriculture, Islamic Studies, MCQS for AT, TT, DM, PET and Qari.

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601. According to Emerson: "Want is a growing giant whom the coat of Have was never large enough to cover." According to economists, "Want" exceeds "Have" because:
A. people are greedy
B. productive resources are limited
C. human beings are inherently insecure
D. people are irrational

602. According to economists, economic self-interest:
A. **is a reality that underlies economic behavior**
B. has the same meaning as selfishness
C. is more characteristic of men than of women
D. is usually self-defeating

603. When entering a building, Asim diverts his path to go through an open door rather than make the physical effort to open the closed door that is directly in his path. This is an example of:
A. irrational behavior
B. a lazy person
C. marginal benefit-marginal cost analysis
D. programmed learning

604. For Economics category a first Nobel prize was given in____________?
A. 1901
B. 1969
C.1945
D. 1968

605. Resources in an economy ?
A. Are always found
B. Can never decease
C. Always increase over time
D. Are limited at any moment in time

606. The sacrifice involved when you choose a particular course of action is called the ?
A. Alternative
B. Opportunity cost

C. Consumer cost
D. Producer cost

607. The sacrifice involved when you choose a particular course of action is called the?
A. Alternative
B. Opportunity cost
C. Consumer cost
D. Producer cost

608. Human wants are_________________?
A. Always fixed
B. Limited
C. Unlimited
D. Likely to decrease over time

609. Which of the following is not one of the basic economic s ?
A. What to produce
B. Who to produce for
C. How to produce
D. How to maximize economic growth

610. The free market involves ?
A. The free provision of products
B. The Subsidizing of products by the government
C. Market forces of supply and demand
D. All trade via barter

611. In a command (planned) economy ?
A. The price mechanism acts as an incentive
B. Resources are allocated by market forces
C. Individual firms make decisions for themselves about what to produce and how to produce it
D. The public sector is large

612. Which of the following is a normative statement in economics ?
A. More spending by the government reduces poverty
B. Higher taxes lead to less desire to work
C. The Pakistan's economy is growing fast relative to other SAARC members
D. The government should concentrate on reducing unemployment

613. Macroeconomics deals with?
A. the behavior of the electronics industry
B. the behavior of firms
C. economics aggregates
D. the activities of individual units

614. The study of inflation is part of ?
A. descriptive economics
B. normative economics
C. macroeconomics.
D. microeconomics

615. The total demand for goods and services in an economy is known as_____________?
A. gross national product.
B. national demand.
C. economy-wide demand
D. aggregate demand

616. A recession is ?
A. a period of declining prices.
B. a period of declining unemployment
C. a period during which aggregate output declines.
D. a period of very rapidly declining prices.

617. The concept of opportunity cost ?
A. is relevant only for a capitalist economy like the United States.
B. Suggests a major increase in public health care spending means an expansion in other areas will be harder to achieve.
C. Suggests all our wants can be achieved.
D. Would be relevant if we eliminated poverty

618. A graph showing all the combinations of goods and services that can be produced if all of society’s resources are used efficiently is a ?
A. capital consumption frontier.
B. Lorenz curve.
C. Circular-flow diagram.
D. Production possibility curve.

619. The circular flow of goods and incomes shows the relationship between?
A. Wages and salaries.
B. income and money
C. goods and services.
firms and households

620. In a planned or command economy, all the economics decisions are taken by the ?
A. Consumers
B. voters
C. government
D. Workers

621. Which of the following involves a trade – off ?

A. Taking a nap
B. All of these answers involve trade-offs
C. Watching a football game on Saturday afternoon
D. Going to university

622. Economics is the study of ?
A. how society manages its unlimited resource
B. how to reduce our wants until we are satisfied.
C. how to fully satisfy our unlimited wants
D. how to avoid having to make trade-offs

623. Raising taxes and increasing welfare payments ?
A. reduces market power
B. Proves that there is such a thing as a free lunch
C. improves efficiency at the expense of equity.
D. improves equity at the expense of efficiency.

624. Foreign trade ?
A. increase the scarcity of resources.
B. makes a country more equitable.
C. allows a country to have a greater variety of products at a lower cost than if it tried to produce everything to home.
D. None of these

625. Which of the following activities is most likely to produce an externality?
A. A student eats a hamburger in the student union.
B. A student reads a novel for pleasure
C. A student sits at home and watches T.V
D. A student has a party in her room in the student hall of residence.

626. Which of the following situations describes the greatest market power ?
A. Subaru’s impact on the price f cars
B. a farmer’s impact on the price of corn
C. Microsoft’s impact on the price of desktop operating systems
D. a student’s impact on college tuition

627. Workers in Western Europe enjoy a high standard of living because ?
A. the countries of Western Europe have set high minimum wage rates.
B. Unions in Western Europe keep the wage high
C. none of these answers.
D. The countries of Western Europe have protected their industries

from foreign corporation
E. Workers in the united states are highly productive

628. **The Phillips curve shows that ?**
A. the business cycle has been eliminated
B. an increase in inflation temporarily increases unemployment.
C. inflation and unemployment are unrelated in the short run.
D. a decrease in inflation temporarily increases unemployment.
E. none of these

629. **You are planning to run a hot dog stand during a forthcoming fair. You originally estimated that you will generated sales revenue of Rs 2000 and you have already spent Rs 1000 building the hot dog stand. The hot dog stand is nearly completed but now you estimate total sales to be only Rs 800 because the fair clashes with a major music festival in a nearby location. You can complete the hot dog stand for another Rs 300 Your decision rule should be to complete the hot dog stand as long as the cost to complete the stand is less than ?**
A. Rs 300
B. Rs 1000
C. Rs 500
D. Rs 800

630. **Productivity can be increased by ?**
A. **improving the education of workers**
B. raising union wages.
C. raising minimum wages.
D. restricting trade with foreign countries.

631. **The opportunity cost of a good is_______________?**
A. the time lost in finding it
B. the quantity of other goods sacrificed to get another unit of that good
C. the expenditure on the good
D. the loss of interest in using savings

632. **In a free market?**
A. government intervenes
B. government plan production
C. government interferes
D. Prices adjust to reconcile scarcity and desires

633. **Normative economics Forms _________ based on _________?**
A. **positive statements, facts**
B. opinions personal facts

C. positive statements values
D. opinions facts

634. If marginal benefit is greater than marginal cost, a rational choice involves ?
A. no more of the activity.
B. less of the activity
C. more of the activity
D. more or less, depending on the benefits of other activities

635. Data are important in economics because __________ and _____________?
A. **they suggest relationships for explanation, allow testing of hypotheses**
B. they can be used for tables, they can be graphed
C. they can be used in computers governments use them
D. they provide interesting information can be summarized

636. The retail price index is used to____________________?
A. construct price lists
B. compare shop prices
C. measure changes in the cost of living
D. None of the above

637. If you income during one year is Rs10,000 and the following year it is Rs12,000 then it has grown by __________________?
A. **20%**
B. 2%
C. 12%
D. 16%

638. On a graph, a positive linear relationship______________________?
A. moves down to the right
B. moves up to the left
C. moves up to the right
D. moves down to the left

639. When we know the quantity of a product that buyers wish to purchase at each possible price we know_______________?
A. **Demand**
B. Supply
C. Excess demand
D. Excess supply

640. The equilibrium price clears the market it is the price at which ____________________?
A. Everything is sold
B. Buyers spend all their money

C. Quantity demanded equal quality supplied
D. Excess demanded equals quantity
E. C and D

641. ________ and ___________ do not directly affect the demand curve ?
A. the price of related goods consumer income
B. consumer incomes, tastes
C. the costs of production bank opening hours
D. the price of related goods preferences

642. A demand curve can shift because changing ?
A. incomes
B. prices of related goods
C. tastes
D. all of the above

643. If a price increase of good A increases the quantity demanded of good B, then good B is a________________?
A. **substitute good**
B. complementary good
C. bargain
D. inferior good

644. An increase in consumer income will increase demand for a _________ but decrease demand for a?
A. substitute good, inferior good
B. normal good inferior good
C. inferior good normal good
D. normal good, complementary good

645. The basic economic problems will not be solved by ?
A. Market forces
B. Government intervention
C. A mixture of government intervention and the free market
D. The creation of unlimited resources

646. A mixed economy ?
A. Has supply but not demand
B. Has demand but not supply
C. Has supply and demand
D. Has market forces and government intervention

647. The public sector includes ?
A. Investors owning companies
B. Government ownership of assets
C. Market forces of supply and demand
D. All trade via barter

648. The economics the central problem is ?

A. **Scarcity**
B. Money
C. Consumption
D. Allocation

649. Microeconomics is not concerned with the behavior of ?

A. **aggregate demand**
B. firms
C. Consumers
D. industries.

650. Aggregate supply is the total amount ?

A. of labor supplied by all households.
B. Produced by the government.
C. of goods and services produced in an economy.
D. of products produced by a given industry.

651. Inflation is____________________?

A. a decrease in the overall price level.
B. an increase in the overall price level.
C. an increase in the overall level of economic activity.
D. a decrease in the overall level of economics activity

652. Unemployment means that ?

A. there is excess demand in the labour market
B. there are some people who will not work at the going wage rate.
C. people are not willing to work at the going wage rate.
D. at the going wage rate, there are people who want to work but cannot find work.

653. A student chooses to study because the marginal benefit is greater than the _______________ cost?

A. average
B. expected
C. total
D. marginal

654. Opportunity cost is___________________?

A. the cost incurred in the past before we make a decision about what to do in the future.
B. a cost that cannot be avoided. regardless of what is done in the future
C. that which we forgo, or give up, when we make a choice or a decision.
D. the additional benefit of buying an additional unit of a product

655. Periods of less than full employment corresponds to __________________ ?

A. points outside the production possibility curve
B. either points inside or outside the production possibility curve.
C. points on the production possibility curve
D. points inside the production possibility curve.

656. In a free market system, the amount of goods and services that any one household gets depends upon its ?

A. income
B. income and wealth
C. wealth
D. wage and interest income

657. Which one of the following is a normative statement ?

A. The richest 10 per cent of the population has had a bigger percentage increase in incomes over the past 10 years than the poorest 10 percent
B. Inflation is rising
C. The proportion of people’s income paid in taxes is higher under this government than under the previous one.
D. Inequality in the distribution of income is a more serious problem than unemployment

658. Trade-offs are required because wants are unlimited, and resources are ?

A. economical
B. unlimited
C. Efficient
D. Scarce

659. A rational person does not act unless ?

A. the action is ethical
B. The action produces marginal costs that exceed marginal benefits.
C. The action produces marginal benefits that exceed marginal costs.
D. The action makes money for the person.

660. Suppose you find Rs 20. If you choose to use the Rs 20 to go to a football match your opportunity cost of going to the game is ?

A. nothing because you found the money.
B. Rs20 (because you found the money Rs 20 to buy other things) plus the value of your time spent at the game.
C. Rs 20 (because you could have used the Rs 20 to buy other things) plus the value of your time spent at the game plus the cost of the

dinner you purchased at the game.
D. Rs20 (because you could have used the Rs20 to buy other ghings)
E. None of these

661. -7-+47-+45-+-+Since people respond to incentives, we would expect that if the average salary of accountants increases by 50% while the average salary of teachers increase by 20% then ?
A. Fewer students will take degree courses in education and more will take accounting courses.
B. fewer students will take degree courses in education and more will take accounting courses
C. fewer students will attend university
D. None of these

662. Which of the following products would be least capable of producing an externality ?
A. inoculations against disease
B. cigarettes
C. food
D. education
E. stereo equipment

663. Which of the following statements is true about a market economy ?
A. With a large enough computer, central planners could guide production more efficiently than markets.
B. Market participants act as if guided by an invisible hand to produce outcomes that maximize social welfare
C. The strength of a market system is that it tends to distribute resources evenly across consumers.
D. Taxes help prices communicate costs and benefits to producers and consumers.

664. High and persistent inflation is caused by ?
A. **unions increasing wages too much**
B. OPEC raising the price of oil too much
C. governments increasing the quantity of money too much
D. regulations raising the cost of production too much

665. An increase in the price of beef providers information which ?
A. provides no information because prices in a market system are managed by planning boards.
B. tells consumers to buy less pork
C. tells producers to produce more beef.
D. tells consumers to buy more beef.

666. Which of the following is not part of the opportunity cost of going on holiday ?
A. The money you spent on a theater show
B. The money you could have made if you had stayed at home and worked
C. The money you spend on airline tickets
D. the money you spent on food

667. Economics is the study of ?
A. Production technology
B. Consumption decisions
C. how society decides what how and for whom to produce
D. the best way to run society

668. A market can accurately be described as__________________?
A. a place to buy things
B. a place to sell things
C. the process by which prices adjust to reconcile the allocation of resources
D. a place where buyers and sellers meet

669. In the mixed economy_________________?
A. **economics problems are solved by the government and market**
B. economic decisions are made by the private sector and free market
C. economic allocation is achieved by the invisible hand
D. economics s is solved by government departments

670. Macroeconomics is the study of ?
A. individual building blocks in the economy
B. the relationship between different sectors on the economy
C. household purchase decisions
D. the economy as a whole

671. Time series data show information ?
A. about the same point in time over different places
B. about different points in time over the same variable
C. about different variables over different places
D. about different points in time over different places

672. A real value can be derived from a nominal value by ?
A. adjusting for changes over time
B. adjusting for data collection errors
C. adjusting for population changes
D. adjusting or changes in prices

673. A straight-line diagram can be drawn knowing the _________ and _________?

A. vertical axis and horizontal axis
B. intercept and slope
C. scale and slope
D. intercept and scale

674. If the diagram of a line shows that lower values on the vertical scale are associated with higher values on the horizontal scale this is an example of ?
A. a nonlinear relationship
B. a positive linear relationship
C. a scatter diagrams
D. a negative linear relationship

675. when a market is in equilibrium ?
A. quantity demanded equals quantity supplied
B. Excess demand and excess supply are zero
C. The market is cleared by the equilibrium price
D. All of the above

676. A supply curve is directly affected by ?
A. technology
B. input costs
C. government regulation
D. all of the above

677. Account is format banking, brokerage or business relationship established to provide for regular services. dealings and other financial transactions. Which of the following phenomenon(s) are also referred by term, Account ?
A. A precise list or enumeration of financial transactions
B. Money deposited for checking savings or breakage use
C. A customer having business or credit relationship with a firm
D. All of these

678. According to chapter 2 in the text which of the following is true ?
A. The boundary between rich and poor countries has become clearer in 1990s
B. The fastest growing countries must be the ones with the highest per capita GNP
C. A few poor countries like South Korea and Malaysia in the 1950s grew much more rapidly than some higher-income countries like Uruguay and New Zealand
D. Today all high and Upper-middle income countries are Western.

679. All of the following are high income countries except ?
A. the United Kingdom
B. Singapore

C. Japan
D. Hungary

680. All of the following are low income countries except ?
A. **United Arab Emirates**
B. Armenia
C. Sudan
D. Bangladesh

681. The World Bank’s GNP per capita classification for low income middle income and high income countries respectively is ?
A. **less than \$900, \$900-\$9000 and more than \$9000**
B. less than \$5000, \$5000-\$15000 and more than \$15000
C. less than \$100, \$100-\$1000 and more than \$1000
D. less than \$5000, \$5000-\$150000 and more than \$150000

682. The formula for the Laspeyres price index is (o is the base year and n is the given year) ?
A. P = ∑Poqo/∑poqo
B. P = ∑Poqo/∑pnqn
C. P = ∑Pnqo/∑poqo
D. P = ∑Poqn/∑poqo

683. Which of the following is not a problem in comparing developed and developing countries GNP ?
A. **GNP is understated for developed countries, since a number of items included in their national incomes are intermediate goods**
B. The economic contribution of a housewife is a peasant family may not be measured is GNP is poor country
C. GNP in understated for developing countries since many of their labor intensive good have no impact on exchange rate since they are not traded
D. GNP is overstated for for countries where the price of foreign exchange is less than market clearing price

684. PPP is ?
A. **a theory that tells us that exchanged rates between currencies are in equilibrium when their purchasing power is the same in both countries**
B. GDP divided by exchange rate
C. a measure of income inequality
D. a measure of infant mortality in developing countries

685. Infant mortality ?
A. **is defined as the annual number of deaths of infant under 1 year old per 1,000 live births**

B. reflects the availability of primary education the rights of employments and social security
C. is life expectancy up to age 3
D. reflects the availability of hospitals and childcare facilities and the parents wealth

686. The three measure of welfare indicators above comprise the ?
A. Purchasing Power Parity
B. Physical Quality of Life Index
C. Human Development Index
D. The Laspeyres index

687. The Human Development Index (HDI) summarizes a great deal of social performances in a single composite index combining ?
A. disparity reduction rate, human resource development rate and the composite index
B. longevity, education and living standard
C. minimum schooling, adult literacy and tertiary educational attainment
D. human resource training development and R&D

688. Which of the following is not one of the Newly Industrialized Countries (NICs) ?
A. **Japan**
B. South Korea
C. Taiwan
D. Singapore

689. Which of the following statement is not true about LDCs ?
A. Most LDCs have less than 1/10 the per capita GNP of the U.S
B. A greater share of GNP would have to be devoted to education to attain the same primary enrollment rates as in the U.S
C. Setting up western labor standard and minimum wages in labor-abundant LDCs is sensible
D. Most LDCs have a greater shortage of qualified teachers than the U.S does

690. Imitating labor standards from rich countries in LDCs may increase ?
A. equality
B. poverty
C. employment
D. human development

691. The formula to calculate Passche price index is (o is the base year and n is the given year) ?
A. **P = ΣPnqn/Σpoqn**
B. P = ΣPoqo/Σpnqn

C. P = ΣPnqo/Σpoqo
D. P = ΣPnqn/Σpoqo

692. If GDP for Barbados is $260 million in 2011 and its population is 260,000 GDP per capita is ?
A. **1000**
B. 260
C. 0.001
D. 259740

693. Economic growth from current year (c) to previous year (p) is given by ?
A. **[(GDPc – GDPp)/ DGPp]100**
B. [(GDPc – GDPp) DGPp]100
C. GNPc – DGPp100)
D. [GDPp – GDPc]100

694. Which of the following countries is not a low income country ?
A. Indonesia
B. India
C. Malaysia
D. Nigeria

695. If GNP for Vatican City the smallest country in the world is 200 million euros in year 2011 and its population is 890 GNP per capita is_______________?
A. 2000 – 890
B. 200/890
C. 200,000,000/890
D. 200

696. If GNP per capita at constant prices for Ghana is US$360 and US$364 in 1996 and 1997 respectively, The real economic growth from 1996 to 1997 is ?
A. 4%
B. 1.11%
C. 0.011%
D. 11%

697. The formula to calculate economic growth from 2001 to 2002 is given by ?
A. [(GDP2002 + GDP2001)/GDP2001]100
B. [(GDP2002 – GDP2001) GDP2001]100
C. [(GDP2002 – GDP2001)/GDP2001]100
D. [(GDP2001 – GDP2002]100

698. Which of the following countries is not a low-income country ?

A. Ethiopia
B. Rwanda
C. Somalia
D. Singapore

699. Which of the following are low income countries income country ?
A. Canada
B. United States
C. Mexico
D. Australia

700. One classification of development levels used by the World Bank divides countries into three group on the basis of GNP per capita They are ?
A. NIC, OPEC and G7
B. Low income , middle income and high income
C. Southeast Northeast and Southwest
D. Asia, America and Europe

701. OPEC is the ?
A. **Organization of Petroleum Exporting Country**
B. Organization of Pre-European Commission
C. Oil Producing Economies Caucus
D. Organization of Problematic Economies Committee

702. The Paasche index uses __________ weights?
A. **current-year**
B. base-year
C. fisher-ideal index
D. Purchasing Power Parity (PPP)

703. The University of Pennsylvania researchers Summers and Heston compute the price level of GDP as the ratio of purchasing power parity (PPP) exchange rate to the actual exchange rate where ?
A. **both exchange rates are measured s the domestic currency price of the US-dollar**
B. both exchange rates are not converted into international dollars
C. both exchange rate are pegged
D. both exchange rate are converted into Big Mac PPP formula

704. The Physical Quality of Life Index (PQLI) combines three indicators They are ?
A. **infant mortality life expectancy and adult literacy rate**
B. crime rate clean environment and quality of housing
C. air pollution rate, Water pollution rate and sanitation
D. health education and environment

705. Longevity is proxy for _________ in the Human Development Index?

A. **health and nutrition**
B. living standard
C. infant mortality
D. Purchasing Power Parity

706. According to the next basic needs include ?
A. food, clothing and housing
B. health, education and quality housing
C. adequate nutrition, primary education health sanitation water supply and housing
D. longevity and living standards

707. A primary reason why nations conduct international trade is because ?
A. Some nations prefer to produce one thing while others produce another
B. Resources are not equally distributed to all trading nations
C. Trade enhances opportunities to accumulate profits
D. interest rates are not identical in all trading nations

708. International trade in goods and services is sometimes used as a substitute for all of the following except ?
A. International movements of capital
B. International movements of labor
C. International movements of technology
D. Domestic production of different goods and services

709. International trade forces domestic firms to become more competitive in terms of ?
A. The introduction of new products
B. Product design and quality
C. Product price
D. All of the above

710. International trade is based on the idea that ?
A. Exports should exceed imports
B. imports should exceed exports
C. Resources are more mobile internationally than are goods
D. Resources are less mobile internationally than are goods

711. Which American industry has least been affected by import competition in recent years ?
A. Automobiles
B. Steel
C. Radios and TVs
D. Computer software

712. Increased foreign competition tend to ?

A. Intensify inflationary pressure at home
B. Induce falling output per worker-hour for domestic workers
C. Place constraints on the wages of domestic workers
D. Increase profits of domestic import competing industries

713. Major trading partners of the United States including all of the following countries except ?
A. Canada
B. Mexico
C. China
D. North Korea

714.

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715. Recent pressures for protectionism in the United States have been motivated by all of the following except ?
A. U.S firms shipping component production overseas
B. High profit levels for American corporations
C. Sluggish rates of productivity growth in the United States
D. High unemployment rates among America workers

716. For the United States automobiles are ?
A. Imported, but not exported
B. Exported, but not imported
C. Exported and imported
D. Neither imported not exported

717. The real income of domestic producers and consumers can be increased by ?
A. Technological progress, but not international trade
B. International trade but not technological progress
C. Technological Progress and international trade
D. Neither technological progress nor international trade

718. Technological improvements are similar to international trade since they both ?
A. Provide benefits for all producers and consumers
B. Increase the nation’s aggregate income
C. Reduce unemployment for all domestic workers
D. Ensure that industries can operate at less than full capacity

719. A reduced share of the world export market for the United States would be attributed to?
A. **Decreased productivity in U.S manufacturing**
B. High incomes of American households
C. Relatively low interest rates in the United States
D. High levels of investment by American corporations

720. The theory that states that a country has a comparative advantage in the production of a product if that country is relatively well endowed with inputs used intensively in the production of that product is the?

A. Ricardo Malthus theorem
B. Heckscher Ohlin theorem
C. Lucas-Laffer theorem
D. Friedman Samuelson theorem

721. David Ricardo’s theory in favor of free trade uses the ideal of ?

A. absolute advantage
B. mutual advantage
C. multilateral advantage
D. comparative advantage

722. Term of trade for a country are the ratio of ________________ to ______________?

A. its opportunity costs; world opportunity costs
B. export prices; import prices
C. Value of exports; value of imports
D. its currency; other currencies

723. The term tariff, as used in international trade refers to ?

A. The price of goods when they leave the producing country
B. a limit on the quantity of a good that can be imported into a country
C. a tax on imports
D. a government payment to encourage exports

724. Government payments made to domestic firms in order to encourage exports are called ?

A. Side payments
B. Tariffs
C. subsidies
D. export quotas

725. Economists suggest that an optimum tariff would be one which reduce imports to a point where____________?

A. Comparative advantage is achieved
B. Price elasticity of imports is unity and tariff revenue is maximized
C. import prices are the same as export prices
D. marginal social cost equals marginal social benefit

726. If a group of countries abolish trade barriers between them and set same tariffs on goods coming in from other countries they are a ?

A. common market
B. free trade area
C. customs union
D. federation

727. When countries from large trading blocs like the EU, the size of the bloc has the effect of improving them ?
A. balance of trade
B. comparative advantage
C. balance of payments
D. terms of trade

728. Which of the following is not an argument for protectionism ?
A. To protect infant industries
B. To increase the level of imports
C. To Protect strategic industries
D. To improve the balance of payments

729. Free trade is based on the principle of ?
A. **Comparative advantage**
B. Comparative scale
C. Economies of advantage
D. Production possibility advantage

730. Tariffs ?
A. Decrease the domestic price of a product
B. Increase government earnings from tax
C. Increase the quantity of imports
D. Decrease domestic production

731. In a floating exchange rate system ?
A. The government intervenes to influence the exchange rate
B. The exchange rate should adjust to equate the supply and demand of the currency
C. The Balance of payments should always be in surplus
D. The Balance of payments will always equal the government budget

732. If there is a balance of payments deficit then in a floating exchange rate system ?
A. **The external value of the currency would tend to fall**
B. The external value of the currency would tend to rise
C. The injections from trade are greater then the withdrawals
D. Aggregate demand is increasing

733. International specialization takes place because of________________?
A. differences in technology
B. differences in factor endowments

C. scale economies

D. All of the above

734. The main cause of different relative costs between countries are ?

A. relative factor competition

B. relative factor mobility

C. relative factor substitution

D. relative factor endowments

735. The imposition of a tariff causes consumption to _____ and imports to _________?

A. rise, rise

B. fall, rise

C. fall, fall

D. rise, fall

736. An optimal tariff is one which reduces imports to the level at which ____ equals ____?

A. imports, exports

B. the balance of trade, zero

C. The demand for currency the supply of currency

D. social marginal cost, social marginal benefit

737. Economic transition involves high inflation because _____ and ______?

A. high monetary growth high wages

B. high budget deficits devaluation

C. high monetary growth devaluation

D. Prices surge from an artificially low level to their equilibrium level the inflation tax is required a source of government revenue

738. All of the following represent obstacles to LDC development except ?

A. resource scarcity

B. low levels of investment

C. low population

D. poor infrastructure

E. poor human capital

739. LDCs are reluctant to pursue development through the export of primary products because of ____ and _____ ?

A. The upward trend in commodity prices the stability of primary products real prices

B. The upward trend in commodity prices, the volatility of primary products real prices

C. The downward trend in commodity prices the stability of primary products real prices

D. The downward trend in commodity prices the volatility of primary products real prices

740. Import substitution is the replacement of ____ by domestic production _____ protection of ________?

A. exports, subsidies
B. exports, patents
C. imports, high tariffs or import quotas
D. imports, subsidies

741. If a country has a burden of debt it cannot sustain it can ?

A. reschedule debt
B. get a loan from an international organization
C. default on the loan
D. any of the above

742. A main advantage of specialization results from ?

A. **Economies of large-scale production**
B. The specializing country behaving as a monopoly
C. Smaller production runs resulting in lower unit costs
D. High wages paid to foreign workers

743. If a nation has an open economy it means that the nation ?

A. Allows private ownership of capital
B. Has flexible exchange rates
C. Has fixed exchange rates
D. conducts trade with other countries

744. The movement to free international trade is most likely to generate short-term unemployment in which industries ?

A. Industries in which there are neither imports nor exports
B. Imports competing industries
C. Industries that sell to domestic and foreign buyers
D. Industries that sell to only foreign buyers

745. Arguments for free trade are sometimes disregarded by politicians because ?

A. Maximizing domestic efficiency is not considered imports
B. Maximizing consumer welfare may not be a chief priority
C. There exist sound economic reasons for keeping one's economy isolated from other economies
D. Economists tend to favor high protected domestic markets

746. The largest amount of trade with the United States in recent years has been conducted by ?

A. **Canada**
B. Germany

C. Mexico
D. United Kingdom

747. For the United states, exports plus imports are about ______ of its gross national product?
A. 5 percent
B. 10 percent
C. 25 percent
D. 55 percent

748. Free traders maintain that an open economy is advantageous is that it provides all of the following except ?
A. Increased competition for world producers
B. A wider selection of products for consumers
C. The utilization of the most efficient production methods
D. Relatively high wages levels for all domestic workers

749. International trade tends to cause welfare losses to at least some groups in a country ?
A. **The less mobile the country's resources**
B. The more mobile the country's resources
C. The lower the country's initial living standard
The higher the country's initial living standard

750. A feasible effect of international trade is that a (an) ?
A. **Monopoly in the home market becomes an oligopoly in the world market**
B. Oligopoly in the home market becomes a monopoly in the world market
C. Purely competitive firm in the home market becomes an oligopolist
D. purely competitive firm in the home market becomes a monopolist

751. International trade in goods and services tends to ?
A. Increase all domestic costs and prices
B. Keep all domestic costs and prices at the same level
C. Lessen the amount of competition facing home manufacturers
D. Increase the amount of competition facing home manufacturers

752. For the United States, commercial jetliners are ?
A. Imported, but not exported
B. Exported, but not imported
C. Imported and exported
D. Neither exported nor imported

753. A sudden shift from import tariffs to free trade may induce short-term unemployment in ?
A. **Import-competing industries**
B. Industries that are only exporters

C. Industries that sell domestically as well as export
D. industries that neither import nor export

754. The most wave of globalization which began in the 1980s has emphasized the outsourcing of ?
A. **services and white-collar jobs**
B. manufacturing and blue-collar jobs
C. natural resource extraction and mining jobs
D. agriculture and farming jobs

755. A significant portion of actual world trade patterns results from ?
A. The industrial policies of governments
B. different sizes of the countries
C. different factor endowment between countries
D. the different tastes and preferences of people in different countries

756. A country has a comparative advantage in the production of a product if the good's _____ cost in different from the good's _____ cost in another country ?
A. resource; resource
B. foreign exchange money
C. opportunity; opportunity
D. money; opportunity

757. One of the main advantages of trade economists suggest is ?
A. technological change
B. competitions with foreign suppliers
C. development of tourism
D. lower tariffs

758. If the Uk placed a limit on the amount of steel that could be imported into the UK in a particular period this would be an example of ?
A. **a quota**
B. dumping
C. a tariff
D. an export subsidy

759. Tariffs are used to protect infant industries these industries are those which ?
A. employ many young or untrained workers
B. are competing with well-established overseas firms
C. are not yet large enough to achieve economies of scale
D. use a new technology

760. Economic integration ?
A. occurs when countries are granted most favored nation status
B. occurs when one country voluntarily agrees to reduce its exports

to another country

C. occurs when two or more nations join to form a free-trade zone

D. Occurs when countries develop an acquired comparative advantage that makes their industries more competitive in international markets

761. When free trade areas are set up the member countries trade with each other grows faster than their trade with other countries This is due to what economist call ?

A. trade diversion

B. trade channeling

C. trade creation and trade diversion

D. trade creation

762. What is not a feature of the EU as a single market ?

A. Elimination of border controls

B. No import taxes on goods bought in another members country

C. Each country can retain its own technical standards

D. Common security arrangements

763. A demand switching policy could be ?

A. Higher interest rates

B. Higher income tax

C. Tariffs

D. Reduced government spending

764. If a country can produce 10 of product A or 4 of product B the opportunity cost of 1B is ?

A. 0.4A

B. 2.5A

C. 10A

D. 1B

765. The terms of trade measure ?

A. The income of one country compared to another

B. The GDP of one country compared to another

C. The quantity of exports of one country compared to another

D. Export prices compared to import prices

766. The marginal propensity of consume is equal to ?

A. Total spending / total consumption

B. Total consumption / total income

C. Change in consumption / change in income

D. Change in consumption / change in savings

767. To prevent the external value of the currency from falling the government might ?

A. Reduce interest rates

B. Sell its own currency

C. Buy its own currency with foreign reserves
D. Increase its own spending

768. International difference is opportunity costs lead to countries acquiring ?
A. **Comparative advantage**
B. High exchange rates
C. trade barriers
D. trade quotas

769. The level of the equilibrium exchange rate offsets international differences in ?
A. comparative advantage
B. absolute advantage
C. opportunity cost
D. relative costs

770. A tariff causes domestic firms to ________ and consumers to?
A. **overproduce, under consume**
B. Overproduce, overconsume
C. underproduce, under consume
D. underproduce, overconsume

771. If goods are exported for less than society’s marginal production cost and the marginal benefit to domestic consumers, it is likely that they benefit from?
A. an import subsidy
B. a quota
C. comparative advantage
D. an export subsidy

772. Output fell sharply in the transition economies because ?
A. banks were unable to function
B. there was little corporate control
C. vital infrastructure was missing
D. All of the above

773. LDCs often have a comparative advantage in the production of ?
A. **primary products**
B. intermediate products
C. manufactured products
D. financial services

774. A country’s total external debt (EDT) includes ?

775. short term debt with a maturity of one year or less
II. long-term debt with a maturity of more than one year
III. repurchase obligations to the IMF
IV. IV public official development assistance

A. I and II only
B. III and IV only
C. I, II and III only
D. I, II and IV only

776. Which of the following country did not experience large capital flights from 1976 to 1984 ?
A. Argentina
B. Venezuela
C. Mexico
D. Canada

777. Which of the following country did Not suffer from increased poverty from debt and financial crises in the 1990s ?
A. **Singapore (1994)**
B. Mexico (1994)
C. Russia (1998)
D. Brazil (1998)

778. Net transfers are_______________?
A. investment loans, and grants from overseas minus international resource outflows
B. net international resource flows minus net international interest payments and profit remittances
C. international resource outflows minus international balance of payments and profit remittances
D. foreign direct investment inflow minus investment loans and grants from overseas

779. Which of the following factors potentially increased the vulnerability to the 1997 Asian financial and currency crisis ?
A. trade account surplus
B. massive reverse outflows of capital
C. technological transfer from DCs
D. Symmetric informational in financial market

780. Shortly after 1979 World Bank introduced loans that emphasized reforms in trade, agriculture industry public enterprise financial energy education or other sectors and were know as ?
A. Structural adjustment loans
B. sectoral adjustment loans
C. internal adjustment loans
D. external leverage loans

781. Fundamentalists want the IMF to lend to crisis-stricken countries on condition that they undertake fundamental structural reforms in banking Joseph Stiglitz however thinks it is_______________?

A. unrealistic for IMF to intervene in the financial markets of poor countries during the crisis

B. impractical for the IMF to loan short term as reforms can only be effective in the middle to long run

C. crucial that the IMF intervene in the reform of fiscal policy of the country and not the monetary policy

D. None of the statements above is correct

782. Mosley Harrigan and Toye refer to the IMF and World Bank as________________?

A. excessively committed to writing down LDC debt

B. a managed duopoly of policy advice

C. a U.S monoply

D. the initiator of HIPCs debt forgiveness

783. The policy cartel on debt reduction refers to the________________?

A. screening of debtors based on their regional location

B. World Bank requiring LDCs seconded by a DC to get loan reduction

C. loan denial to crisis-stricken highly indebted countries

D. None of the above

784. Highly-indebted poor countries (HIPCs) include________________?

I- Bolivia

II- Benin

III- Uganda

IV- Tanzania

785. I and II only

B. I, II , III only

C. I, III and IV only

D. I, II , III and IV

786. In 1990, during the Persian Gulf War, the U.S government extended generous terms to two middle-income countries by canceling or reducing their debt The two countries were ?

A. Iraq and Iran

B. Egypt and Poland

C. Pakistan and Afghanistan

D. Saudi Arabia and Jordan

787. Which of the following is Not true about external debt ?

A. External debt accumulates with international balance on goods services and income deficcits

B. When debts are denominated in U.S dollars their appreciation during the 1990s increased the cost of servicing such debts

C. In the 19901s LDCs relied increasingly on aid from DCs

D. International lenders required LDC governments to guarantee private debt

788. Which of the following is will NOT reduce capital flight from source countries ?
A. dependable positive real interest rates
B. higher taxes on capital gains
C. more efficient state enterprises
D. market liberalization

789. The debt-service ratio is the______________?
A. long-term debt divided by GDP of a country in a given year
B. interest and principle payments divided by exports of goods and services
C. ratio of debt net of portfolio investment financing and foreign direct investment
D. default and reschedule debt minus annual export revenues that must be devoted to paying interest

790. Which of the following country was not a major LDC debtor in 2001 ?
A. Brazil
B. Argentina
C. Thailand
D. Malaysia

791. Initial conditions in the year before the crisis in Thailand Indonesia Malaysia the Philippines and Korea in 1997 indicate that ?
i. capital inflows/GDP were very low
ii. Nonperforming bank loan ratios were high
iii. current account deficits were high
iv. credit growth was fast

792. I and IV only
B. II and III only
C. I, II and III only
D. II, III and IV only

793. Shortly after 1979 World Bank introduced loans that emphasized reforms in trade, agriculture industry public enterprise financial energy education or other sectors and were known as ?
A. Structural adjustment loans
B. sectoral adjustment loans
C. internal adjustment loans
D. external leverage loans

794. Which of the following statement is Not true ?

A. **The ratio of debt service to GNP is very good indicator of the debt burden**
B. Many large LDC debtors borrowed heavily because of their excellent international credit ratings
C. Middle income countries account for almost four-fifths of the total outstanding debt of all LDCs
D. The debt-burden of sub Saharan African countries may be as heavy as for middle income countries

795. The Baker plan (1985) stressed _______ and the Brady Plan (1989) emphasized _______ respectively?
A. IMF decentralization; World Bank dissolution
B. new loans from multilateral agencies and surplus countries; debt reduction or write-downs
C. structural adjustment loans for LDCs experiencing unanticipated external shocks; renewed emphases on macroeconomic stabilization programs
D. debt relief for at leas three-fourths of the eligible HIPCs; shorter requirements for adjustment programs

796. Referring to the above table, the U.S balance of international indebtedness suggests that the U.S is a net ?
A. debtor
B. creditor
C. spender
D. exporter

797. A country that is a net international debtor initially experiences a (an) ?
A. **larger savings pool available to finance domestic spending**
B. higher interest rate which leads to lower domestic investment
C. loss of funds to trading partners overseas
D. decrease in its services exports to other countries

798. Credit (-) items in the balance of payments correspond to anything that ?
A. involves receipts from foreigners
B. involves payments to foreigners
C. increases the domestic money supply
D. decreases the demand for foreign exchange

799. In the balance of payments the statistical discrepancy is used to ?
A. **insure that the sum of all debits matches the sum of all credits**
B. insure that trade imports equals the value of trade exports

C. obtain an accurate account of a balance of payments deficit
D. obtain an accurate account of a balance of payments surplus

800. All of the following are credit items in the balance of payments except ?
A. investment inflows
B. merchandise exports
C. payments for American services to foreigners
D. private gives to foreign residents

801. A capital account surplus might be expected to cause a current account deficit because the associated ?
A. capital outflow would cause the nation’s currency to depreciate contributing to a trade deficit
B. capital inflow would cause the nation’s currency to depreciate contributing to a trade deficit
C. capital inflow would cause the nation’s currency to appreciate contributing to a trade deficit
D. capital outflow would cause the nation’s currency to appreciate contributing to a trade deficit

802. The current account includes ?
A. the value of trade in merchandise
B. services
C. unilateral transfers
D. All of the above

803. Debit entries on the balance of payments are the entries that would ?
A. **mean a loss of foreign exchange**
B. bring foreign exchange into the country
C. indicate a surplus exist
D. exist at the bottom line after all accounts are totaled

804. Current account deficit are offset by_______________?
A. merchandise trade deficits
B. merchandise trade surpluses
C. capital/financial account surpluses
D. capital/financial account deficits

805. A nation wishing to reduce its current account deficit would be advised to ?
A. engage in more government spending
B. reduce government taxes
C. increases private investment spending
D. decrease domestic consumption

806. In the calculation of gross domestic product net exports are ?

A. **the sum of merchandise trade and services**
B. the current account plus long-term capital
C. the value of merchandise exports minus imports
D. short-term capital plus the basic balance

807. Purchases of government securities in the United States by foreigners is ?
A. a credit item in the current account
B. a debit item in the capital account
C. a credit item in the capital account
D. a debit item in the current account

808. In balance of payments accounting tourism and travel are classified in the ?
A. merchandise trade account
B. services account
C. unilateral transfers account
D. capital account

809. The argument that U.S current account deficits cause net job losses for Americans ?
A. is true by definition in all possible circumstances
B. is supported by recent U.S history
C. focuses only on the overall economy and is thus always true
D. fails to recognize that a current account deficit is matched by an equal inflow of foreign funds which finances employment increasing investment spending

810. Direct investment and security purchases are classified as ?
A. **capital account transactions**
B. current account transactions
C. unilateral transfer transactions
D. merchandise trade transactions

811. The record of a country's transactions in goods, services and assets with the rest of the world is its ?
A. balance of trade
B. capital account
C. current account
D. balance of payments

812. The balance of payments is divided into two major accounts the ?
A. **current account the capital account**
B. current account the trade account
C. trade account the capital account
D. current account the reserve account

813. Which of the following statements is True ?

A. The overall sum of all the entries in the balance of payments must be positive
B. A country runs a current account surplus if it sells more of its assets abroad than it buys abroad
C. A country runs a capital account deficit if it imports more than it exports
D. If the current account is in surplus the capital account must be in deficit

814. The difference between the balance on current account and the balance on capital account is the ?
A. **statistical discrepancy**
B. balance of payments
C. balance of trade
D. trade deficit

815. For the first time since World War I, in the mid-1980s the United States became a net international ?
A. exporter
B. importer
C. debtor
D. creditor

816. Credit (+) items in the balance of payments correspond to anything that ?
A. **involves receipts from foreigners**
B. involves payments to foreigners
C. increases the domestic money supply
D. decreases the demand for foreign exchange

817. When all of the debit or credit items in the balance of payments are combined ?
A. merchandise imports equal merchandise exports
B. capital imports equal capital exports
C. services exports equal services imports
D. the total surplus or deficit equals zero

818. A country’s transactions with the rest of the world are recorded in the ?
A. balance of international indebtedness
B. balance of financial transactions
C. balance of payments
D. income statements

819. All of the following are debit items in the balance of payments except ?

A. capital outflows
B. merchandise exports
C. private gifts to foreigners
D. foreign aid granted to other nations

820. The role of _______ is to direct one nation's savings into investments of another nation?
A. merchandise trade flows
B. services flows
C. current account flows
D. capital flows

821. The U.S balance of payments is constructed by ?
A. the U.S Department of labor
B. the U.S Department of Agriculture
C. the U.S Department of commerce
D. the council of Economic Advisers to the President

822. In the balance of payments travels and tourism are included in the category of ?
A. unilateral transfers
B. capital account
C. merchandise account
D. services account

823. The difference between a country's balance of payments and its balance of international indebtedness?
A. is equal to official reserve transactions
B. occurs because of foreign exchange fluctuations
C. reflects statistical discrepancies
D. reflects the difference between flow and stock concepts

824. A nation will a current account deficit will be ?
A. lending more money to other nations
B. experiencing a surplus in exports of goods an services
C. reducing its indebtedness to other nations
D. going further into debt with other nations

825. A current account surplus implies that ?
A. **the country is a net lender to the rest of the world**
B. the country is running a net capital account surplus
C. foreign investment in domestic securities is at very low levels
D. All of the above

826. When a country has a trade deficit it ?
A. purchases more stocks and bonds from the rest of the world than it sells
B. purchases more goods from the rest of the world than it sells

C. sells more goods to the rest of the world than it purchases
D. sells more stocks and bonds to the rest of the world than it purchases

827. Historically countries at early stages of rapid economic development have tender to experience ?
A. **trade deficit and an excess of investment over domestic saving**
B. trade surplus and an excess of investment over domestic saving
C. trade deficits and an excess of domestic savings over investment
D. trade surpluses and an excess of domestic saving over investment

828. The balance of trade is a record of ?
A. exports and imports of financial assets
B. the current account plus capital account
C. the net export of goods and services
D. the value of merchandise exports minus imports

829. _______ is needed to balancell the balance of payments statements?
A. credit transactions
B. debit transactions
C. unilateral transfers
D. statistical discrepancy

830. The differences between a country's merchandise exports and its merchandise imports is the ?
A. balance of payments
B. capital account
C. current account
D. balance of trade

831. Which of the following statements about economic fluctuations is true ?
A. None of these answers
B. A depression is a mild recession
C. A variety of spending income, and output measures can be used to measure economic fluctuation because most macroeconomic quantitties tend to fluctuate together
D. A recession is when output rises above the natural rate of output

832. Which of the following would not cause a shift in the long-run aggregate supply curve ?
A. All of these answers shift the long-run aggregate supply curve
B. An increase in the available capital
C. An increase in the available labour
D. An increase in price expectations

833. In the model of aggregate demand and aggregate supply, the initial impact of an increase in consumer optimism is to ?

A. shift the short-run aggregate supply curve to the left
B. shift the aggregate demand curve to the right
C. shift the short-run aggregate supply curve to the right
D. shift the aggregate demand curve to the left

834. Which of the following statements is true regarding the long-run aggregate supply curve? The long-run aggregate supply cruve ?

A. **Is vertical because an equal change in all prices and wages leaves output unaffected**
B. is positively sloped because price expectations and wages tend to be fixed is the long run
C. shifts right when the government raises the minimum wage
D. shifts left when the natural rate of unemployment falls

835. The natural rate of output is the amount of real GDP produced ?

A. **When the economy is at the natural rate of unemployment**
B. When the economy is at the natural rate of investment
C. When the economy is at the natural rate of aggregate demand
D. When there is no no unemployment

836. Suppose the price level falls but suppliers only notice that the price of their particular product has fallen Thinking there has been a fall in the relative price of their product they cut back on production, This is a demonstration of the ?

A. **misperceptions theory of the short run aggregate supply curve**
B. classical dichotomy theory of the short run aggregate supply curve
C. sticky price theory of the short run aggregate supply curve
D. sticky wage theory of the short run aggregate supply curve

837. Suppose the economy is initially in long-run equilibrium Then suppose there is an increase in military spending due to rising international tensions According to the model of aggregate demand and aggregate supply what happens to prices and output in the long run ?

A. Output falls; prices are unchanged from the initial value
B. Price fall; output is unchanged from its initial value
C. Output and the price level are unchanged from their initial values
D. Prices rise; output is unchanged from its initial value

838. Suppose the economy is initially in long run equilibrium Then suppose there is a drought that destroys much of the wheat crop if policymakers allow the economy to adjust to long-run equilibrium on its own, according to the model to aggregate demand and

aggregate supply what happens to prices and output in the long run ?

A. Output rises; prices are unchanged from the initial value

B. Output and the price level are unchanged from their initial values

C. Output falls; prices are unchanged from the initial value

D. Prices fall; output is unchanged from its initial value

839. Which of the following events shifts the short run aggregate supply curve to the right ?

A. a decrease in the money supply

B. a drop-in oil prices

C. an increase in government spending on military equipment

D. None of these answers

E. an increase in price expectations

840. Refers to Exhibit 4. Suppose the economy is operating in a recession such as point B in Exhibit 4. If policy makers allow the economy to adjust to the long run natural rate on its own, ?

A. **People will reduce their price expectations and the short run aggregate supply will shift right**

B. People will raise their price expectations and aggregate demand will shift left

C. People will raise their price expectations and the short run aggregate supply will shift left

D. People will reduce their price expectations and aggregate demand will shift right

841. Policy makers are said to “accommodate” an adverse supply shock if they ?

A. fail to respond to the adverse supply shock and allow the economy to adjust on its own.

B. respond to the adverse supply shock by decreasing aggregate demand which lower prices

C. respond to the adverse supply shock by decreasing short run aggregate supply

D. respond to the adverse supply shock by increasing aggregate demand, which further raises prices

842. According to the interest rate effect aggregate demand slopes downward (negatively) because ?

A. lower prices increase money holdings decrease lending interest rates rise, and investment spending falls

B. lower prices increase the value of money holding and consumer spending increases

C. lower prices decrease the value of money holdings and consumers spending decreases

D. lower prices reduce money holdings increase lending interest rates fall, and investment spending increase

843. Which of the following is not a reason why the aggregate demand curve slopes downward ?

A. The exchange-rate effect

B. The wealth effect

C. The classical dichotomy/monetary neutrality effect

D. The interest-rate effect

844. According to the wealth effect aggregate demand slopes downward (negatively) because ?

A. **lower prices increase the value of money holding and consumers spending increase**

B. lower prices decrease the value of money holding and consumers spending decrease

C. lower prices reduce money holding increase lending, interest rates fall and investment spending increase

D. lower prices increase money holding decrease lending, interest rates rise and investment spending falls

845. Suppose the price level falls but because of fixed nominal wage contracts the real wage rises and firms cut back on production This is a demonstration of the ?

A. **sticky-wage theory of the short-run aggregate supply curve**

B. classical dichotomy theory of the short-run aggregate supply curve

C. misperceptions theory of the short-run aggregate supply curve

D. sticky-price theory of the short run aggregate supply curve

846. Suppose the economy is initially in long-run equilibrium Then suppose there is an increase in military spending due to rising international tensions According to the model of aggregate demand and aggregate supply what happens to prices and output in the short run ?

A. Price fall; output rises

B. Price fall; output falls

C. Price rise; output fall

D. Price rise; output rise

847. Suppose the economy is initially is long run equilibrium Then suppose there is a drought that destroys much of the wheat crop According to the model of aggregate demand and aggregate supply, what happens of prices and output in the short run ?

A. **Price rise; output falls**
B. Price fall; output rises
C. Price rise; output rises
D. Price fall; output falls

848. Stagflation occurs when the economy experiences ?
A. rising prices and rising output
B. rising prices and falling output
C. falling prices and falling output
D. falling prices and rising output

849. Refers to Exhibit 4. Suppose the economy is operating in a recession such as point B in Exhibit 4. If policy makers wished to move output to its long run natural rate they should attempt to ?
A. Shift aggregate demand to the left
B. Shift short run aggregate supply to the left
C. shift aggregate demand to the right
D. shift short-run aggregate supply to the right

850. According to the model of aggregate supply and aggregate demand in the long run an increase in the money supply should cause ?
A. Prices to rise and output to rise
B. Price to fall and output to remain unchanged
C. Prices to fall and output to fall
D. prices to rise and output to remain unchanged

851. Refer to Exhibit 4. If there is no tax placed on the produced in this market consumer surplus is the area ?
A. C + D + F
B. A
C. A + B + E
D. D + C + B

852. Refer to Exhibit 4. If a tax is placed on the product in this market consumer surplus is the area ?
A. D
B. A
C. A + B + E
D. A + B +C + D

853. Refer to Exhibit 4. If a tax is placed on the product in this market tax revenue paid by the buyers is the area ?
A. B + C + E + F
B. B
C. B + C
D. A

854. **Refer to Exhibit 4. If there is no tax placed on the product in this market total surplus is the area ?**
A. B + C + E + F
B. E + F
C. A + B + C + D
D. A + B + C + D + E + F

855. **Refer to Exhibit 4. If a tax is placed on the product in this market. deadweight loss is the area ?**
A. B + C + E + F
B. E + F
C. B + C
D. A + B + C + D

856. **Which of the following would likely cause the greatest deadweight loss ?**
A. a tax on salt
B. a tax on cigarettes
C. a tax on petrol
D. a tax on cruise line tickets

857. **Deadweight loss is greatest when ?**
A. supply is elastic, and demand is perfectly inelastic
B. demand is elastic, and demand is perfectly inelastic
C. both supply and demand are relatively inelastic
D. both supply and demand are relatively elastic

858. **Which of the following is true with regard to a tax on labor income? Taxes on labor income tend to encourage ?**
A. the unscrupulous to enter the underground economy
B. the elderly to retire early.
C. all the things described in these answers.
D. second earners to stay home.
E. workers to work fewer hours

859. **The graph that shows the relationship between the size of a tax and the tax revenue collected by the government is known as a ?**
A. none of these answers
B. Reagan curve
C. Keynesian curve
D. Laffer curve
E. Henry George curve.

860. **The reduction of tax ?**
A. will have no impact on tax revenue.
B. will always reduce tax revenue regardless of the prior size of the tax

C. could increase tax revenue if the tax had been extremely high
D. causes a market to become less efficient

861. If the Pakistani government runs a budget surplus there is ?
A. an excess of government receipts over government spending.
B. an equality of government spending and receipts.
C. a surplus of government workers.
D. an excess of government spending over government receipts.

862. A tax for which high income taxpayers pay a smaller fraction of their income than do low income taxpayers is known as ?
A. a proportional tax
B. a regressive tax
C. an equitable tax
D. a progressive tax

863. The marginal tax rate is ?
A. the taxes paid by the marginal worker
B. total income divided by total taxes paid
C. the extra taxes paid on an additional unit of income
D. total taxes paid divided by total income

864. The average tax rate is ?
A. total taxes paid divided by total income
B. the extra taxes paid on an additional dollar or income.
C. the taxes paid by the marginal worker
D. total income divided by total taxes paid

865. The ability-to-pay principle of taxation suggests that if a tax system is to be vertically equitable it should be ?
A. efficient
B. progressive
C. regressive
D. proportional

866. The appropriate tax rate to consider gauging how much the tax system distorts incentives and decision making is the ?
A. Proportional tax rate
B. average tax rate
C. marginal tax rate
D. vertical tax rate
E. horizontal tax rate

867. A tax system is regarded as horizontally equitable if ?
A. all taxpayers pay the same amount of tax
B. taxes on all goods are levied at the same rate
C. taxes are as low as possible
D. the system comprises only lump sum taxes

E. taxpayers with similar abilities to pay taxes pay the same amount

868. Which of the following taxes can be supported by the benefits principle of taxation ?

A. **All these answers can be supported by the benefits principle of taxation**
B. Progressive income taxes used to pay for national defense
C. Petrol taxes used to pay for roads
D. property taxes used to pay for policies and the court system

869. Refer to Exhibit 4. If there is no tax placed on the product in this market, producer surplus is the area ?

A. A + B + E
B. D
C. C + F
D. C + D + F

870. Refer to Exhibit 4. If a tax is placed on the product in this market, producer surplus is the area?

A. A + B + E
B. A + B + C + D
C. A
D. D

871. Refer to Exhibit 4. If a tax is placed on the product in this market tax revenue paid by the sellers is the area ?

A. C + F
B. A
C. B
D. C

872. Refer to Exhibit 4. If a tax is placed on the product in this market total surplus is the area ?

A. A + B + C + D+ E +F
B. A + B + C + D
C. A + D
D. B + C + E + F

873. Refer to Exhibit 4. Which of the following is true with regard to the burden of the tax in Exhibit 4 ?

A. The buyers pay a larger portion of the tax because demand is more inelastic than supply
B. The sellers pay a larger portion of the tax because supply is more elastic than demand
C. The buyers pay a larger portion of the tax because demand is more elastic then supply

D. The sellers pay a larger portion of the tax because supply is more inelastic than demand

874. A tax on petrol is likely to ?

A. generate a deadweight loss that is unaffected by the time period over which it is measured

B. cause a greater deadweight loss in the long run when compared to the short run

C. None of these answers

D. cause a greater deadweight loss in the short run when compared to the long run.

875. Since the supply of undeveloped land is relatively inelastic a tax on undeveloped land would generate ?

A. a small deadweight loss and the burden of the tax would fall on the renter

B. a large deadweight loss and the burden of the tax would fall on the landlora

C. a large deadweight loss and the burden of the tax would fall on the renter.

D. a small deadweight loss and the burden of the tax would fall on the landlord

876. When a tax on a good start small and is gradually increased tax revenue ?

A. will fall

B. will rise

C. will first rise and then fall

D. will first fall and then rise

877. If a tax on a good is doubled the deadweight loss from the tax ?

A. doubles

B. stays the same

C. increase by a factor of four.

D. could rise or fall

878. When a tax distorts incentives to buyers and sellers so that fewer goods are produced and sold than otherwise the tax has ?

A. **caused a deadweight loss**

B. decreased equity

C. generated no tax revenue

D. increased efficiency

879. Sana values a pair of blue jeans at Rs400. If the price is Rs350 Sana buys the jeans and generates consumer surplus of Rs50 Suppose a tax is placed on blue jeans that causes the price of blue jeans to rise to Rs450 Now sana chooses not to buy a pair of?

A. **the deadweight has demonstrated**
B. the ability-to-pay principle
C. the benefits principle
D. horizontal equity
E. The administrative burden of a tax.

880. An efficient tax ?
A. minimizes the administrative burden form the tax
B. does all the things describe in these answers
C. raises revenue at the smallest possible cost to taxpayers.
D. minimize the deadweight loss from the tax.

881. The appropriate tax rate to consider judging the vertical equity of a tax system is the ?
A. marginal tax rate
B. average tax rate
C. horizontal tax rate
D. proportional tax rate

882. A progressive tax system is one where ?
A. marginal tax rates are high.
B. higher income taxpayers pay more taxes than do lower income taxpayers.
C. marginal tax rates are low.
D. higher income taxpayers pay a greater percentage of their income in taxes than do lower income taxpayers.

883. A tax of 20 rupees per unit of imported cheese would be an example of a (an) ?
A. Compound tariff
B. Effective tariff
C. Ad valorem tariff
D. Specific tariff

884. If we consider the impact on both consumers and producers, then protection of the steel industry is ?
A. In the interest of the U.S as a whole but not in the interest of the state of Pennsylvania where steel mills are located
B. In the interest of the U.S as a whole and in the interest of the state of Pennsylvania
C. Not in the interest of the U.S as a whole, but it might be in the interest of the state of Pennsylvania
D. Not in the interest of the U.S as a whole, nor in the interest of the state of Pennsylvania

885. Ad valorem tariffs are collected as ?

A. fixed amounts of money per unit traded
B. a percentage of the price of the product
C. a percentage of the quantity of imports
D. All of the above

886. Most tariffs have ?
A. only revenue effects
B. only protective effects
C. Both protective and revenue effects
D. neither protective or revenue effects

887. A foreign-trade zone (FTZ) is ?
A. a regional area within which trade with foreign nations is allowed
B. a free trade agreement among several nations
C. designed to limit exports of manufactured goods by placing export taxes on goods made within the zone
D. designed to promote exports by deferring imports duties on intermediate inputs and waving such duties if the final product is re-exported rather than sold domestically

888. If a nation fitting the criteria for the small nation model imposes a 10 percent tariff on imports of autos ?
A. **The price of autos within the nation will rise by 10 percent**
B. The price of autos within the nation will rise by less than 10 percent
C. The price of autos within the nation will rise by more than 10 percent
D. The price of autos will not rise because of internal competition

889. ________ represents the difference between what consumer have to pay for a product and what they are willing and able to pay ?
A. producer surplus
B. deadweight surplus
C. government surplus
D. consumer surplus

890. The difference between what consumers have to pay for a particular and what they are willing to pay is known as ?
A. **consumer surplus**
B. producer surplus
C. deadweight costs
D. deadweight surplus

891. In developed countries, tariffs on raw materials tend to be ?
A. highest of all
B. higher than on manufactured goods

C. equal to tariffs on manufactured goods

D. lower than on manufactured goods

892. With free trade the total quantity of imports would equal ?

A. 10,000 units

B. 40,000 units

C. 42,000 units

D. 50,000 units

893. With the tariff, the quantity of imports falls to ?

A. 12,000 units

B. 20,000 units

C. 30,000 units

D. 42,000 units

894. The deadweight cost of the tariff equals ?

A. $10,000

B. $25,000

C. $50,000

D. $75,000

895. A tariff of ________ would be prohibitive causing imports to fall to zero?

A. $10

B. $15

C. $20

D. $25

896. If a small country imposes a tariff on an imported good, its terms of trade will ?

A. improve

B. worsen

C. not change

D. any of these

897. If a country an imposes an import tariff, its welfare can improve if ?

A. the country is a small country rather than a larger country

B. its terms of trade improve enough

C. The tariff enhances the welfare of its trading partners

D. Its government's tax revenue increases because of the tariff

898. A tariff ______ increase a country overall welfare?

A. will always

B. will never

C. can sometimes

D. None of the above

899. Suppose that the offshore assembly provisions (OAP) of the United States are granted to finished computers that are imported and produced domestically This policy will tend to ?

A. cause foreign assemblers of computers to use more computer components that are supplied by countries other than the United States

B. Increase the Price of computers to consumers in the United States

C. Increase the Production of computers in the United States

D. Increase the production of computer components in the United States

900. If no imported inputs (hard-disk drive) go into the domestic production of a final product (desktop computer) then the ?

A. **nominal tariff rate on the final product equals the effective tariff rate on the product**

B. nominal tariff rate on the final product is greater than the effective rate on the product

C. nominal tariff rate on the final product is less than the effective tariff rate on the final product

D. None of the above

901. The national security argument for protection is more likely to be valid when ?

A. The purpose is to maintain protection for an indefinite time period
B. The industry is characterized by increasing returns to scale
C. The economy operates during a recession
D. The protected industry provides invaluable goods during periods of war

902. A tax of 15 percent per imported item would be an example of a (an) ?

A. **Ad valorem tariff**
B. Specific tariff
C. Effective tariff
D. Compound tariff

903. For advanced countries such as the United States, tariffs on imported raw materials tend to be ?

A. equals to tariffs on imported manufactured goods
B. lower than tariffs on imported manufactured goods
C. higher than tariffs on imported manufactured goods
D. The highest of all tariffs

904. If I purchase a stereo from South Korea, I obtain the stereo and South Korea obtains the dollars But if I purchase a stereo produced in the Pakistan I obtain the stereo and the rupees remain in Pakistan, This line of reasoning is ?

A. valid for stereos, but nor for most products imported by Pakistan
B. valid for most products imported by Pakistan but not for stereos
C. deceiving since Koreans eventually spend the dollars on Pakistani goods
D. deceiving since the dollars spent on a stereo built in the Pakistan eventually wind up overseas

905. Specific tariffs are collected as ?

A. **fixed amount of money per unit traded**
B. a percentage of money per unit traded
C. a percentage of the quantity of imports
D. All of the above

906. The effective rate of protection ?

A. distinguishes between tariffs that are effective and those that are ineffective
B. is the minimum level at Which a tariff becomes effective in limiting imports?
C. shows how effective a tariff is in raising revenue for the

government

D. shows the increase in value added for domestic production that a particular tariff structure makes possible, in percentage terms

907. A tariff that prohibits imports has only ?

A. a revenue effect and redistribution effect

B. revenue effect and protection effect

C. consumption effect and protection effect

D. redistribution effect and consumption effect

908. According to the _____ argument for protection, tariffs can shield new industries from import competition until they have grown strong and efficient enough to withstand the competition by foreign producers ?

A. scientific tariff argument

B. infant industry argument

C. beggar they neighbor argument

D. foreign dumping argument

909. If a nation fitting the criteria for the large nation model imposes an import tariff ?

A. the domestic price of the product will increase by more than the tariff itself

B. The domestic price of the product will increase by the same amount as the tariff

C. The domestic price of the product will increase by less than the tariff

D. None of the above

910. A tariff can _______ raise a country’s welfare?

A. never

B. sometimes

C. always

D. None of these

911. Suppose there is no tariff on imported inputs and the ratio of the value of imported inputs the value of the final product is 0.5 If the nominal tariff rate on the final product is 10 percent, the effective tariff rate equals ?

A. 5 percent

B. 10 percent

C. 15 percent

D. 20 percent

912. With the tariff the government collects?

A. $75,000

B. $100,000

C. $125,000
D. $150,000

913. Domestic producers gain ________ because on the tariff?
A. $50,000
B. $75,000
C. $120,000
D. $150,000

914. In today's world, most countries impose tariffs ?
A. **only on imports**
B. only on exports
C. on both imports and exports
D. on imports exports and nontraded goods

915. If the world price of steel is $500 a ton a specific tariff $50 is equivalent to an ad valorem tariff of______________?
A. 5 percent
B. 10 percent
C. 15 percent
D. 20 percent

916. Suppose that Pakistan imposes a tariff on ballpoint pens of 25 rupees per pen plus 12 percent of the pen's value, this is an example of a (an) ?
A. specific tariff
B. ad valorem tariff
C. compound tariff
D. effective tariff

917. Suppose that the nominal tariff rate on finished computers is 12 percent and that the weighted average of the nominal tariff rates on the inputs used in producing computers is 18 percent. Thus, the effective rate of protection for the computer industry must ?
A. **be less than 12 percent and can be negative**
B. be less than 12 percent but must be greater than zero
C. equal 6 percent
D. exceed 30 percent

918. Concerning a government's trade policy, all the following generally apply except ?
A. economic downturn and recession generally result in greater protectionism
B. because domestic consumers outnumber domestic producer's policy markers usually enact Free-trade policies to satisfy the consumer majority:
C. When domestic exporting companies are organized, policy tends to

favor freer trade
D. Policy tends to favor freer trade in countries whose imports are inputs into critical industries

919. Concerning import tariffs of the United States empirical studies tend to conclude that these tariffs are ?
A. Progressive and thus bear down on the wealthy
B. regressive and thus bear down on the poor
C. proportional and thus bear down on all consumers in the same manner
D. deflationary and thus result in reductions in the price of imports

920. With free trade the total value of imports would equal ?
A. $100,000 units
B. $400,000 units
C. $600,000 units
D. $800,000 units

921. Consumer surplus is the area ?
A. **below the demand curve and above the price.**
B. above the supply curve and below the price.
C. above the demand curve and below the price.
D. below the supply curve and above the price.
E. below the demand curve and above the supply curve

922. If a buyer's willingness to pay for a new Honda is Rs20,000 and she is able to actually buy it for Rs18,000 her consumer surplus is ?
A. Rs18,000
B. Rs20,000
C. Rs2,000
D. Rs0.

923. Suppose there are three identical vases available to be purchased. Buyer 1 is willing to pay Rs30 for one, buyer 2 is willing to pay Rs25 for one, and buyer 3 is willing to pay Rs20 for one. If the price is Rs25, how many vases will be sold and what is the value of consumer surplus in this market ?
A. Three vases will be sold, and consumer surplus is Rs80
B. One vase will be sold, and consumer surplus is Rs5.
C. One vase will be sold, and consumer surplus is Rs30.
D. Three vases will be sold, and consumer surplus is Rs0.
E. Two vases will be sold, and consumer surplus is Rs5.

924. If a benevolent social planner chooses to produce more than the equilibrium quantity of a good, then ?
A. the value placed on the last unit of production by buyers exceeds the cost of production

B. the cost of production on the last unit produced exceeds the value placed on it by buyers.
C. consumer surplus is maximized
D. total surplus is maximized
E. producer surplus is maximized

925. Total surplus is the area_______________?
A. above the supply curve and below the price
B. below the demand curve and above the price
C. below the demand curve and above the supply curve
D. below the supply curve and above the price
E. above the demand curve and below the price

926. An increase in the price of a good along a stationary supply curve_______________?
A. **increase producer surplus**
B. does all the things describe in these answers
C. decrease producer surplus
D. improves market equity

927. In general, if a benevolent social planner wanted to maximize the total benefits received by buyers and sellers in a market, the planner should?
A. choose a price below the market equilibrium price
B. allow the market to seek equilibrium on its own.
C. Choose any price the planner wants because the losses to the sellers (buyers) from any change in price are exactly offset by the gains to the buyers (sellers).
D. choose a price above the market equilibrium price

928. If a market is efficient then_______?
A. the market allocates buyers to the sellers who can produce the good at least cost
B. all these answers
C. none of these answers
D. the quantity produced in the market maximizes the sum of consumer and producer surplus
E. the market allocates output to the buyers that value it the most

929. Medical care clearly enhance people’s lives. Therefore, we should consume medical care until ?
A. everyone has as much as they would like
B. the benefit buyers place on medical care is equal to the cost of producing it
C. buyers receive no benefit from another unit of medical care.
D. we must cut back on the consumption of other goods.

930. Jamil has ten pairs of football boots and saleem has none. A pair of football boots cost Rs50. to produce. If jamil values an additional pair of boots at RS100 and saleem values a pair of boots at Rs40, then the maxime ?

A. efficiency Saleem should receive the glove
B. Efficiency Jamil should receive the glove
C. equity Jamil should receive the glove
D. consumer surplus both should receive a glove

931. A buyer's willingness to pay is that buyer's ?

A. minimum amount they are willing to pay for a good
B. producer surplus.
C. consumer surplus
D. maximum amount they are willing to pay for a good
E. none of these answers

932. An increase in the price of a good along a stationary demand curve ?

A. improves the material welfare of the buyers.
B. decrease consumer surplus
C. improves market efficiency.
D. increase consumer surplus.

933. Producer surplus is the area ?

A. below the supply curve and above the price
B. below the demand curve and above the supply curve
C. below the demand curve and above the price
D. above the demand curve and below the price
E. above the supply curve and below the price

934. If a benevolent social planner chooses to producer less than the equilibrium quantity of a good, then ?

A. total surplus is maximized
B. the value placed on the last unit production by buyers exceeds the cost of production.
C. producer surplus is maximized
D. the cost of production on the last unit produced exceeds the value placed on it by buyers.
E. consumer surplus is maximized

935. The seller's cost of production is ?

A. none of these answers.
B. the minimum amount the seller is willing to accept for a good
C. the seller's producer surplus
D. the maximum amount the seller is willing to accept for a good
E. the seller's consumer surplus

936. Suppose that the price of a new bicycle is Rs300 Natalie values a new bicycle at Rs 400 it costs Rs200 for the seller to produce the new bicycle. What is the value of total surplus if Natalie buys a new bike ?

A. Rs500

B. Rs300

C. Rs200

D. Rs400

937. Adam smith’s invisible hand concept suggests that a competitive market outcome ?

A. **maximizes total surplus**

B. generates equality among the members of society

C. minimizes total surplus

D. both maximizes total surplus and generates equality among the members of society

938. If buyers are rational and there is no market failure ?

A. free market solutions are efficient

B. free market solutions maximize total surplus

C. all of these answers

D. free market solutions are equitable

E. free market solutions are efficient and free market solutions maximize total surplus

939. If a producer has market power (can influence the price of the product in the market) then free market solutions ?

A. are equitable.

B. are efficient

C. maximize consumer surplus

D. are inefficient

940. If a market generates a side effect or externlity then free market solutions ?

A. maximize producer surplus

B. are efficient

C. are inefficient

D. are equitable

941. A group of economists argue that the real problem with the economy is high rates of taxation and heavy regulation that reduce the incentives to work, save and invest. These economists are?

A. **Supply-side economics**

B. neo-Keynesian economists

C. rational-expectations economists.

D. new classical economists.

942. According to Supply-side economists. if taxes are cut so that people have an increased incentive to work and businesses have an increased incentive to invest ?

A. aggregate supply will increase will increase aggregate demand will decrease and the price level will decrease

B. aggregate supply will increase will increase aggregate output will increase and the price level will decrease

C. aggregate supply will increase will increase aggregate output will increase and the price level will increase

D. both aggregate supply and demand will increase will increase and the price level will increase

943. According to the Laffer curve, as tax rates increase tax revenue ?

A. **initially increase and then decrease**

B. decrease continuously.

C. rise continuously

D. initially decrease and then increase.

944. New classical economists advocate reducing welfare payments to people who are unemployed or single parents. The economic reasoning used was that this would ?

A. reduce poverty

B. reduce unemployment

C. weaken the power of trade unions

D. help small businesses

945. Which of the following statements supports deregulation of industries ?

A. Technological change has made it possible for many industries to become more competitive

B. Because few real natural monopolies exist, there is rarely a reason for government regulation.

C. Many instances of government regulation have succeeded in reducing competition in industries where competition may be beneficial

D. All of the above

946. A way helping depressed regions by having wage subsidies lower business taxes and capital subsidies has been suggested as ?

A. New classical economists.

B. Left wing theorists

C. interventionist policies.

D. monetarists.

947. The success of regional and urban policies has been limited by ?

A. bureaucracy
B. bad luck
C. poor communications
D. the low level of government grants and by the fact that some projects would have gone ahead anyway

948. Which of the following would be considered a supply-side policy ?
A. An increase in the minimum wage that would cause consumer spending to increase
B. investment tax credits for businesses to encourage investment
C. Restrictions placed on the amount that can be imported.
D. An increase in government spending that would lead to increased aggregate demand

949. According to supply-side economists, as tax rates are reduced, labor supply should increase. This implies that ?
A. there is no income effect when tax rates are changed
B. the income effect of a wage change is greater than the substitution effect of a wage change.
C. there is no substitution effect when tax rates are changed
D. the substitution effect of a wage change is greater than the income effect of a wage change

950. Reaganomics was a radical shift in policy aimed at directly tackling ?
A. the charities economy
B. the demand side of the economy
C. the underground economy
D. the supply side of the country

951. Privatization is the transfer of ?
A. publicly held stock to private individuals
B. corporately owned businesses to individuals
C. government businesses to the private sector.
D. privately owned businesses to the government sector

952. A way of helping depressed regions by having lower wages lower local taxes and lower unemployment benefit has been suggested as ?
A. **market-orientated economists**
B. left-wing theorists
C. Keynesian.
D. new-Keynesian

953. Interventionist policies to restore regional imbalance focus on ?
A. subsidies to encourage firms that moves
B. tax concessions for firms that move.

C. improved infrastructure
D. all of the above

954. The law of demand implies that ?
A. as prices rise, demand decrease
B. as prices fall, quantity demanded increase
C. as prices fall demand increases
D. as prices rise, quantity demanded increases

955. What effect is working when the price of a good falls and consumers tend to buy it instead of other goods ?
A. The ceteris paribus effect
B. The diminishing marginal utility effect.
C. The substitution effect
D. The income effect

956. Demand curves are derived while holding constant ?
A. **incomes, tastes, and the price of other goods.**
B. income, tastes, and the price of the good.
C. income and tastes
D. tastes and the price of other goods

957. Suppose the demand for good Z goes up when the price of good Y goes down. We can say that goods Z and Y are ?
A. perfect substitutes
B. complements
C. unrelated goods.
D. substitutes.

958. Which of the following will NOT cause a shift in the demand curve for compact discs ?
A. A change in wealth
B. A change in the price of compact discs
C. A change in income.
A change in the price of pre-recorded cassette tapes

959. The price of computer chips used in the manufacture of personal computers has fallen. This will lead to __________ personal computer?
A. a decrease in the quantity supplied of
B. a decrease in the supply of
C. an increase in the quantity supplied of
D. an increase in the supply of

960. Market equilibrium exists when __________ at the prevailing price?
A. **quantity demanded equals quantity supplied**
B. quantity demanded is less than quantity supplied

C. quantity supplied is greater than quantity demanded
D. quantity demanded is greater than quantity supplied

961. The price elasticity of demand is the ?
A. ratio of the change in price to the change in quantity demanded.
B. ratio of the percentage change in quantity demanded to the percentage change in price.
C. ratio of the change in quantity demanded to the change in price.
D. ratio of the percentage change in price to the percentage change in quantity demanded.

962. The price of burgers increase by 22% and the quantity of burgers demanded falls by 25% This indicates that demand for burgers is ____________?
A. **elastic**
B. perfectly elastic
C. unitarily elastic
D. inelastic.

963. If the quantity demanded of beef increases by 5% when the price of chicken increase by 20% the cross-price elasticity of demand between beef and chicken is ?
A. -4
B. 0.25
C. 4
D. -0.25

964. Which best describes a demand curve ?
A. the quantity consumers would like to buy in an ideal world
B. The quantity consumers are willing to sell
C. The quantity consumers are willing and able to buy at each and every income all other things unchanged
D. The quantity consumers are willing and able to buy each and every price all other things changed

965. Demand for a normal product may shift outwards if ?
A. Price decreases
B. The price of a substitute falls
C. The price of a complement rises
D. income falls

966. If marginal utility is zero ?
A. Total utility is zero
B. An additional unit of consumption will decrease total utility
C. An additional unit of consumption will increase total utility
D. Total utility is maximized

967. An increase in the price of a complement for product A would ?

A. Shift demand for Product A outwards
B. Shift demand for product A inwards
C. Shift supply for product A outwards
D. Shift supply for product A inwards

968. If a product is a vablen good ?
A. Demand is inversely related to income
B. Demand is inversely related to price
C. Demand is directly related to price
D. Demand is inversely related to the price of substitutes

969. Average income increase from Rs20,000 p.a to Rs 22,000 p.a Quantity demanded per year increases 5000 to 6000 units. Which of the following is correct ?
A. Demand is price inelastic
B. The good is inferior
C. Income elasticity is -2
D. The product is normal

970. If the price elasticity of demand is unit then a fall in price ?
A. Reduces revenue
B. Leaves revenue unchanged
C. Increase revenue
D. Reduces costs

971. The income elasticity is +2 and income increases by 20% sales were 5000 units, what will they be now ?
A. 3000
B. 7000
C. 5500
D. 4500

972. Price increases from 10 to 12 pence and the price elasticity of demand is -0.5 The quantity demanded was 500 units. What will it be now ?
A. 550 units
B. 500 units
C. 450 units
D. 490 units

973. For an inferior good ?
A. **The price elasticity of demand is negative: the income elasticity of demand is negative**
B. The price elasticity of demand is positive the income elasticity of demand is negative
C. The price elasticity of demand is negative the income elasticity of demand is positive

D. The price elasticity of demand is positive the income elasticity of demand is positive

974. Which best describes a supply curve ?

A. The quantity consumers would like to buy in an ideal world

B. The quantity producers are willing and able to sell at each and every price all other things unchanged

C. The quantity producers are willing and able to sell at each and every income all other things unchanged

D. The quantity producers are willing and able to sell at each and every point in time all other things unchanged

975. Supply is likely to be more price elastic ?

A. In the short run rather than the long run

B. If factors of production are relatively immobile between industries

C. If there are very few producers

D. If it is easy to expand output

976. A contraction in supply occurs when ?

A. Demand shifts outwards

B. The supply curve shifts inwards

C. The quantity supplied falls when the price falls

D. The supply curve shifts outwards

977. An increase in price all other things unchanged leads to ?

A. A shift in supply outwards

B. A shift in supply inwards

C. A contraction of supply

D. An extension of supply

978. An increase in price from 25 pence to 30 pence leads to an increase in the quantity supplied from 40 units to 44 units. The price elasticity of supply is ?

A. +2

B. +0.5

C. -2

D. -0.5

979. A shift in aggregate supply is likely to ?

A. **Reduce the general price level and reduce national income**

B. Reduce the general price level and increase national income

C. Increase the general price level and reduce national income

D. Increase the general price level and increase national income

980. An increase in aggregate demand will have most effect on prices if ?

A. Aggregate supply is price inelastic

B. Aggregate supply is price elastic

C. Aggregate supply has a unitary price elasticity
D. Aggregate demand is price inelastic

981. Which of the following would decease aggregate demand ?
A. increase consumption
B. increasing export revenue
C. increased taxation revenue
D. increased investment

982. Increase unemployment benefits and less incentive to work would ?
A. **shift aggregate supply to the right**
B. shift aggregate supply to the left
C. shift aggregate demand to the right
D. shift aggregate demand to the left

983. Increased levels of spending on imports ?
A. shift aggregate supply to the right
B. shift aggregate supply to the left
C. shift aggregate demand to the right
D. shift aggregate demand to the left

984. If demand is __________ then price cuts will _________ spending?
A. inelastic; increase
B. elastic; increase
C. elastic, decrease
D. none of the above

985. Positive cross elasticities suggest that goods are ____ and negative cross-elasticities that goods are ?
A. substitutes inferior
B. normal, complements
C. substitutes complements
D. normal, inferior

986. Inferior goods have _________ and luxury goods have _________?
A. **negative income elasticity income elasticity greater than 1**
B. income elasticity greater than 1, negative income elasticities
C. Positive income elasticities, negative income elasticities
D. None of the above

987. The income effect of a price increase of a normal good is to ________ of that good and the substitution effect is to _________ of that good?
A. increase quantity demanded, reduce quantity demanded
B. increase quantity demanded, increases quantity demanded
C. reduce quantity demanded, reduce quantity demanded
D. reduce quantity demanded, increase quantity demanded

988. Economics assumes that people consume goods and services to achieve ?

A. Status
B. Prestige
C. Utility
D. Self-esteem

989. Adding up the quantities demanded of a good by different people facing the same price gives us the ?

A. Supply curve
B. Market demand curve
C. Demand curve
D. Market supply curve

990. The increase in total cost when one more unit is produced is known as ?

A. marginal cost
B. opportunity cost
C. limited cost
D. average cost

991. Profits are maximized when ?

A. costs are minimized
B. revenue is maximized
C. average cost is less than average revenue
D. marginal cost equals marginal revenue

992. If a firm wage costs increase this will cause ___________ and ___________?

A. **marginal cost to increase, output to fall**
B. marginal revenue to increase output to fall
C. opportunity cost to increase the firm will close
D. average cost will rise output will increase _____ output and an upward shift in marginal revenue _____ output

993. A firm that breaks even after all economic costs are paid is earning ?

A. Economic profit
B. Accounting profit
C. Normal profit
D. Supernormal profit

994. If both marginal cost and marginal revenue increase, a firm ?

A. Should increase output
B. Should reduce output
C. will require further information on how to respond
D. Should not change output

995. The Setrite Corporation produce chairs. An economist working for the firm predicts that if people's incomes rise next year, then the demand for our chairs will for our chairs will increase ceteris paribus The accuracy of the economist's prediction depends on whether the chairs Setrite Produce ?

A. have few substitutes.
B. are normal goods
C. have few complementary goods.
D. have many complementary goods.

996. The quantity demanded of Pepsi has decreased. The best explanation for this is that ?

A. Pepsi's advertising is not as effective as in the past .
B. The price of Coca Cola has increased,
C. Pepsi consumers had an increase in income.
D. The price of Pepsi increased

997. When the decrease in the price of one good causes the demand for another good to decrease, the goods are_________?

A. complements
B. substitutes
C. inferior
D. nromal

998. If the demand for coffee decreases as income decreases, coffee is ?

A. an inferior good
B. a normal good
C. a complementary good
D. a substitute good

999. Which of the following is consistent with the law of supply ?

A. As the price of calculators rise, the quantity supplied of calculators decreases, ceteris paribus.
B. As the price of calculators calls the supply of calculators increases, ceteris paribus.
C. As the price of calculators rise, the quantity supplied of calculators increases, ceteris paribus.
D. As the price of calculators rise, the supply of calculators increases ceteris paribus.

1000. When excess demand occurs in an unregulated market, there is a tendency for ?

A. price to fall
B. quantity supplied to decrease.
C. price to rise
D. quantity demanded to increase

1001. An increase in aggregate demand if aggregate supply is totally inelastic will ?

A. **increase price but not output**
B. increase output but not price
C. increase output and price
D. decrease output and price

1002. A movement along the demand curve to the left may be caused by ?

A. **a decrease in supply.**
B. a rise in income
C. a fall in the number of substitute goods
D. a rise in the price of inputs

1003. The price of apples falls by 5% and quantity demanded increases by 6% This means that demand is ?

A. zero elastic
B. elastic
C. perfectly elastic
D. inelastic

1004. The price of burgers increase by 22% and the quantity of burgers demanded falls by 25% This indicates that demand for burgers is ?

A. **elastic**
B. perfectly elastic
C. unitarily elastic
D. inelastic.

1005. If the cross-price elasticity of demand between two goods is negative, then the two goods are ?

A. normal goods
B. unrelated goods
C. Substitutes.
D. Complements

1006. When the market operates without interference, price increases will distribute what is available to those who are willing and able to pay the most. This process is known as ?

A. Quantity setting
B. price fixing
C. price rationing
D. quantity adjustment.

1007. A fall in price ?

A. Will cause an inward shift of demand
B. Will cause an outward shift of supply
C. May be caused by a fall in demand
D. Leads to a higher level of production

1008. According to the law of diminishing utility ?

A. Utility is at a maximum with the first unit
B. Increasing units of consumption increase the marginal utility
C. Marginal product will fall as more units are consumed
D. Total utility will rise at a falling rate as more units are consumed

1009. An increase in income should ?

A. Shift demand for an inferior product outward
B. shift demand for an inferior product inward
C. shift supply for an inferior product outward
D. Shift supply for an inferior product inward

1010. An increase in price all other things unchanged leads to ?

A. Shift demand outwards
B. Shift demand inwards
C. A contractions of demand
D. An extension of demand

1011. If a product is an inferior good ?

A. **Demand is inversely related to income**
B. Demand in inversely related to price
C. Demand is directly related to price
D. Demand is inversely related to the price of substitutes

1012. The price decrease from Rs 2,000 to Rs 1,800 Quantity demanded per year increases 5000 to 6000 units. Which of the following is correct ?

A. **The price elasticity of demand is -2**
B. The good is inferior
C. Income elasticity is + 0.5
D. Income elasticity is + 2

1013. If the cross elasticity of demand is -2 ?

A. The products are substitutes and demand is cross price elastic
B. The products are substitutes and demand is cross price inelastic
C. The products are complements and demand is cross price elastic
D. The products are complements and demand is cross price inelastic

1014. The price elasticity of demand is a negative number this means ?

A. Demand is price elastic
B. Demand is price inelastic
C. The demand curve is downward sloping
D. An increase in income will reduce the quantity demanded

1015. if demand is price inelastic ?

A. An increase in price must raise profits
B. An increase in price decrease revenue
C. An increase in price increase revenue
D. A decrease in price reduces sales

1016. For a normal good ?
A. The price elasticity of demand is negative the income elasticity of demand is negative
B. The price elasticity of demand is positive the income elasticity of demand is negative
C. The price elasticity of demand is negative the income elasticity of demand is positive
D. The price elasticity of demand is positive; the income elasticity of demand is positive

1017. If a 4% increase in price leads to a increase in the quantity supplied of 8% ?
A. **Supply is price elastic**
B. Supply is income elastic
C. Price elasticity of demand is -2
D. Price elasticity of supply is -2

1018. A supply curve that starts at the origin has ?
A. A price elasticity of supply greater than one
B. A price elasticity of supply equal to one
C. A price elasticity of supply less than one
D. A positive price elasticity of supply

1019. An increase in the costs of production will ?
A. Shift demand outwards
B. Shift demand inwards
C. Shift supply outwards so more is supplied at each and every price, all other things unchanged
D. Shift supply inwards

1020. An increase in productivity should ?
A. Lead to a contraction of supply
B. Lead to an expansion of supply
C. Lead to a shift in supply outwards (i.e more supplied at each and every price)
D. Lead to a higher equilibrium and lower equilibrium quantity

1021. The price elasticity of supply is +4 The price increases by 15% sales were originally 200 units What will they be now ?
A. 80 units
B. 320 units

C. 60 units
D. 120 units

1022. Aggregate demand will increase if ?
A. consumption falls
B. investment falls
C. Exports fall
D. imports fall

1023. Which of the following would increase aggregate demand ?
A. Increased saving
B. Increasing import spending
C. Increased taxation revenue
D. increased investment

1024. Improved training of employees would ?
A. **Shift aggregate supply to the right**
B. Shift aggregate supply to the left
C. Shift aggregate demand to the right
D. shift aggregate demand to the left

1025. Increased level consumption ?
A. shift aggregate supply to the right
B. shift aggregate supply to the left
C. shift aggregate demand to the right
D. shift aggregate demand to the left

1026. The price elasticity of demand measures ?
A. **The responsiveness of quantity demanded to a change in price**
B. How far a demand curve shifts
C. a change in price
D. a change in quantity demanded

1027. A measurement showing how quantity demanded varies with income is the ?
A. Price elasticity of demand
B. Cross-price elasticity of demand
C. budget elasticity of demand
D. income elasticity of demand

1028. If your income doubles and the prices of the goods you buy double then your demand for these goods will likely?
A. increase
B. not change
C. decrease
D. shift

1029. The opportunity cost of a student is_____________?

A. Course fees and rent
B. A loan from the bank
C. What the student could have earned in the best job available by not studying
D. What the student will earn after graduation

1030. The extra utility from consuming one more unit of a good is called ?
A. **Marginal utility**
B. Additional utility
C. Surplus utility
D. Bonus utility

1031. Firms are assumed to ________ costs and to ________ profits?
A. incur, desire
B. pay, make
C. charge earns
D. minimize, maximize

1032. Marginal revenue is the ________ when output is __________?
A. Change in average revenue, increased
B. Change in total revenue, increase by one unit
C. change in average revenue, increased by one unit
D. change in total revenue increased

1033. An upward shift in marginal cost _____ output and an upward shift in marginal revenue ______ output?
A. reduces; reduces
B. reduces; increases
C. increases; increases
D. increases; reduces

1034. A firm that makes profit in addition to normal profit is making ?
A. Economic profit
B. Accounting profit
C. Normal profit
D. supernormal profit

1035. Which of the following is an example of equity finance ?
A. Corporate bonds
B. Company shares
C. All of these answers are equity finance
D. Government bonds

1036. A financial intermediary is a middleperson between ?
A. buyers and sellers
B. husbands and wives.
C. borrowers and lenders.
D. labor unions and firms

1037. Which of the following statements is true ?

A. Long-term bonds tend to pay less interest than short-term bonds

B. Government bonds pay less interest than comparable corporate bounds

C. Investment funds are riskier than single stock purchases because the performances of so many different firms can affect the return of a mutual fund

D. A stock index is a directory used to locate information about selected stocks.

1038. If GDP = Rs1,000 Consumption = Rs 600 taxes = Rs 100, and government purchases = Rs200, how much is saving and investment ?

A. Saving = Rs 300 investment = Rs 300

B. Saving = Rs 200 investment = Rs 100

C. Saving = Rs 100 investment = Rs 200

D. Saving = Rs 0 investment = Rs 0

1039. Which of the following financial market securities would probably pay the highest interest rate ?

A. **A bond issued by a startup company**

B. A government bond issued by the government of France.

C. A bond issued by a blue-chip company

D. An investment funds with portfolio of corporate bonds issued by blue chip companies

1040. If Pakistani citizens become more thrifty we would expect ?

A. **The supply of loanable funds in the Pakistan loanable funds market to shift to the right and the real interest rate to fall.**

B. The demand for loanable funds in the Pakistan loanable funds market to shift to the right and the real interest rate to rise

C. The demand for loandable funds in the Pakistan loanable funds market to shift to the right and the real interest rate to fall

D. The supply of loandable funds in the Pakistan loanable funds market to shift to the right and the real interest rate to rise

1041. An increase in the budget deficit that causes the government to increase its borrowing ?

A. Shifts the supply of loanable funds to the right

B. Shift the demand for loandbale funds to the left

C. Shift the demand for loanable funds to the right

D. Shift the supply of loanable funds to the left

1042. If the Supply of loanable funds is very inelastic (steep) Which policy would likely increase saving and investment the most ?

A. **a reduction in the budget deficit**
B. an increase in the budget deficit
C. an investment tax credit
D. None of the above

1043. If an increase in the budget deficit reduces national saving and investment we have witnessed a demonstration of ?
A. intermediation
B. equity finance
C. crowding out
D. the investment fund effect

1044. If the government increases investment tax credits and reduces taxes on the return to saving at the same time ?
A. the real interest rate should fall
B. the real interest rate should rise
C. the impact on the real interest rate is indeterminate
D. the real interest rate should not change

1045. Credit risk refers to a bond's ?
A. **Probability of default**
B. Price-earnings ratio
C. dividend
D. tax treatment

1046. National Saving (or just saving) is equal to ?
A. none of these answers
B. investment + consumption expenditures
C. private saving + public saving
D. GDP government purchases

1047. If government spending exceeds tax collections?
A. **there is a budget deficit**
B. None of these answers
C. There is a budget surplus
D. private saving is positive

1048. If the public consumes Rs 100 billion less and the government purchases Rs100 billion more (other things unchanging), Which of the following statement is true ?
A. **Saving is unchanged**
B. There is an increased in saving and the economy should grow more quickly
C. There is a decrease in saving and the economy should grow more slowly
D. There is not enough information to determine what will happen to saving

1049. Investment is ?

A. The purchase of goods and services

B. The purchase of capital equipment and structures

C. When we place our saving in the bank

D. The purchase of stocks and bonds

1050. Which of the following sets of government policies is the most growth oriented ?

A. **Lower taxes on the returns to saving, provide investment tax credits and lower the deficit**

B. Increase tax on the returns to saving Provide investment tax credits and increase the deficit

C. Increase tax on the returns to saving Provide investment tax credits and lower the deficit

D. Lower taxes on the returns to saving Provide investment tax credits and increase the deficit

1051. An increase in the budget deficit will ?

A. **raise the real interest rate and decrease the quantity of loanable funds demanded for investment**

B. lower the real interest rate and increase the quantity of loaable funds demanded for investment

C. raise the real interest rate and increase the quantity of loandable funds demanded for investment

D. lower the real interest rate and decrease the quantity of loanable funds demanded for investment

1052. An increase in the budget deficit is ?

A. an increase in public saving

B. a decrease in private saving

C. None of these answers

D. a decrease in public savings

1053. If Pakistani citizens become less concerned with the future and save less at each real interest rate ?

A. **Real interest rates rise and investment falls**

B. Real interest rates rise and investment rises

C. Real interest rates fall and investment rises

D. Real interest rates fall and investment falls

1054. An increase in the budget surplus ?

A. Shifts the supply of loanable funds to the left and increase the real interest rate

B. Shift the supply of loanable funds to the right and reduces the real interest rate.

C. Shifts the demand for loanable funds to the right and increases the

real interest rate.
D. Shifts the demand for loanable funds to the left and reduces the real interest rate

1055. Which of the following may constitute the International Monetary Fund's conditionality for borrowing?

1056. government reducing budget defícts
II. limiting credit creation and liberalizing trade
III. achieving market-clearing price
IV. restraining public sector employment and wage rates
A. I and II only
B. III and IV only
C. I, II , III and IV
D. None of these

1057. According to the Brandt report the IMF's insistence on drastic measures in short time periods ?

I- contributes to low-income countries recovery quickly
II- reduces basis-needs attainment
III- may lead to IMF riots
IV- may lead to the downfall of governments

1058. I only
B. II only
C. I and II only
D. I, III and IV only

1059. Internal balance refers to ?

A. **full employment and price stability**
B. exports minus imports
C. monetary policy offsetting fiscal policy
D. exports equal to imports

1060. When the world Bank or IMF requires improved external balance in the short run the agency may condition its loan on expenditure switching that is ?

A. switching spending from domestic to foreign sources
B. devaluing local currencies
C. increase trade restrictions by imposing quota
D. increase government spending

1061. Countries such as ________ that failed to adjust to a persistent external disequilibrium were more vulnerable to poverty displacement and even war ?

A. Japan and Korea
B. Brazil and Argentina

C. Algeria and Yugoslavia
D. Singapore and Malaysia

1062. Before the 1978 reforms China had a(n) ?
A. agricultural bank only
B. urban credit cooperatives
C. mono bank system
D. housing savings banks

1063. Which of the following is not a quasi-public good ?
A. national defense
B. an automobile
C. libraries
D. fire protection

1064. Which of the following statement is NOT true about state owned enterprises (SOEs) ?
A. SOEs perform better with competition
B. Successful performing SOEs in Japan, Singapore and Sweden have greater managerial autonomy and accountability than other SOEs
C. SOEs in South Korea and Sweden generally achieve inferior economic results to those in Ghana
D. Financial autonomy is a major factor contributing to SOEs managerial effectiveness

1065. A development bank based in London, which loans funds to governments of Eastern Europe and the former Soviet Union is the ?
A. Transitional Monetary Fund
B. World Bank
C. European Bank for Reconstruction and Development
D. OECD

1066. Pathologies endemic to the Soviet bureaucracy included secrecy formalism cumbersome procedures rigidity and the tendency to concentrate on control rather than performance The party controlled The state by using the ____ the power to recommend and approve managers in administration and enterprises, of appointments and promotions to control access to government positions ?
A. Gosplan
B. Gosagroprom
C. nomenklatura system
D. Parastatals

1067. Countries with chronic balance of payments deficits eventually need to borrow abroad often from the ________ as the lender of last resort?

A. U.S
B. OECD
C. IMF
D. OPEC

1068. S = Savings, I = domestic investment, X = exports of goods and services, and M = imports of goods and services Which of the following is true ?
A. **S – I = X = M**
B. S + I = X + M
C. S = I – (X+M)
D. S-I = X/M

1069. Countries facing a persistent external deficit can ?

1070. borrow overseas
II. increase trade restrictions and exchange controls
III. undertake expansionary monetary and fiscal policies
IV. Undertake expenditure-reducing policies
A. I and II only
B. III and IV only
C. I, II and III only
D. I, II and IV only

1071. Structural economists from the United Nations Economic Commission for Latin America (ECLA) emphasized ?
A. contractionary monetary and fiscal policies
B. currency devaluation
C. long-run institutional and structural economic change
D. short term-adjustment with a human face

1072. In 1979-80 China first created ______ for foreigners to set up enterprises hire labor and import duty-free goods for processing and re-exporting ?
A. **special economic zones**
B. liberalized trade monopoly zones
C. Economic Union zones
D. Communist free trade areas

1073. The industrial concentration ratio is the proportion of an industry’s output ?
A. **produced by the three largest firms in the industry**
B. produced in cement, machine tools and steel industries
C. and labor intensities relative to labor productivity
D. as a percentage of production and marketing

1074. State-owned enterprises (SOEs) are also called ?

A. centralized firms
B. government oligopolies
C. market economies
D. public enterprises

1075. Privatization refers to a range of policies including ?

1076. changing part of a public enterpris's ownership to the private sector
II. Liberalization of entry into activities previously restricted to the public sector
III. two infant industries merging into a monopoly
IV. franchising or contracting public services or leasing public assets to the Private sector
A. III only
B. IV only
C. I, II and IV only
D. None of these

1077. A critic of "Shock therapy" to transition economies. Vladamir Popov, contends that shock therapists put a heavy emphasis on ?

A. **introducing the reform package at once to ensure that it became too late and costly to reverse the reforms**
B. agricultural reform rather than industrial reforms to overcome food insecurity
C. the creation of a small-scale private sector ans small independent banks
D. attempts to gradually remake institutions

1078. The Heckscher-Ohlin theory explains comparative advantage as the result of differences in countries ?

A. Economies of large-scale production
B. Relative abundance of various resources
C. Relative costs of labor
D. Research and development expenditures

1079. Boeing aircraft company was able to over its production costs of the first – jumbo jetll in the seventies because Boeing could market it to several foreign airlines in addition to domestic airlines. This illustrates ?

A. **How economies of scale make possible a larger variety of products in international trade**
B. A transfer of wealth from domestic consumer to domestic producer as the result of trade
C. How a natural monopoly is forced to behave more competitively with international trade

D. How a natural monopoly is forced to behave less competitively with international trade

1080. The theory of overlapping demand predicts that trade in manufactured goods is unimportant for countries with very different ?

A. Tastes and preferences
B. Expectations of future interest rate levels
C. Per-capita income levels
D. Labor productivities

1081. According to the factor endowment model of Heckscher and Ohlin, countries heavily endowed with land will ?

A. Devote excessive amounts of resources to agricultural production
B. Devote insufficient amounts of resources to agricultural production
C. Export products that are land-intensive
D. Import products that are land-intensive

1082. According to the trade theory of Staffan Linder trade tends to be most pronounced in manufactured goods when trading countries have ?

A. similar endowments of natural resources
B. similar levels of technology
C. similar per-capita incomes
D. similar wage levels

1083. Should international transportation costs decrease the effect on international trade would include a (an) ?

A. **increase in the volume of trade**
B. Smaller gain from trade
C. Decline in the income of home producers
D. Decrease in the level of specialization in production

1084. Intra-industry trade theory ?

A. Explains why the United States might export autos and import clothing
B. Explains why the United States might export and import differentiated versions of the same product such as different types of autos
C. Assumes that transport costs are very low or do not exist
D. ignores seasonal considerations for agricultural goods

1085. Difference in environmental standards or other government regulations among nations ?

A. have no impact on patterns of international trade
B. have tended to make U.S steel companies more competitive

internationally
C. can affect production costs and thus alter comparative advantages and trade patterns
D. have been eliminated by the nations participating in NAFTA

1086. According to the Heckscher-Ohlin model the source of comparative advantage is a country's ?
A. technology
B. advertising
C. factor endowments
D. both (a) and (c)

1087. The comparative advantage model of Ricardo was based on ?
A. intraindustry specialization and trade
B. interindustry specialization and trade
C. demand conditions underlying specialization and trade
D. income conditions underlying specialization and trade

1088. The analyzes the income distribution effects of trade in the short run when resources are immobile among industries ?
A. Stolpher-Samuelson theory
B. factor endowment theory
C. specific factors theory
D. overlapping demand theory

1089. By reducing the volume of trade transportation costs tend to ?
A. **stop the process of product price equalization and factor price equalization before they are complete:**
B. ensure that the process of product price equalization and factor price equalization are complete
C. eliminate all of the feasible gains from international trade
D. maximize all of the feasible gains from international trade

1090. The Heckscher-Ohlin theorem states that a country will have comparative advantage in the good whose production in relatively intensive in the with which the country is relatively abundant ?
A. tastes
B. technology
C. factor/resource
D. opportunity cost

1091. Wassily Leontief used an input output table in order to test the ?
A. Ricardian theory of comparative advantage
B. Heckscher Ohl in theory of comparative advantage
C. Linder theory of overlapping demand
D. All of the above

1092. In his empirical tests, Wassily Leontief used an input-output table to ?

A. **calculate the capital and labor required to produce $1 million of U.S exports and imports**
B. calculate the labor productivity of America workers relative to foreign workers
C. calculate the capital productivity of American capital relative to foreign capital
D. All of the above

1093. Leontief's result were considered paradoxical because the United Stated was believed to be ?

A. technologically efficient relative to the rest of the world
B. capital abundant relative to the rest of the world
C. labor abundant relative to the rest of the world
D. All of the above

1094. Wassily Leontief's results can be interpreted as ?

A. evidence against the Ricardi an model
B. evidence against the Heckscher-Ohl in model
C. support for the Ricardian model
D. support for the Heckcher Ohlin model

1095. The factor endowment theory was pioneered by ?

A. Adam smith
B. David Ricardo
C. Wassily Leontief
D. Eli Heckscher and Bertil Ohlin

1096. Assume that Country A is relatively abundant in labor and Country B is relatively abundant in land Note that wages are the returns to labor and rents are the returns to land According to the factor price equalization theorem, once Country A begins specializing according to comparative advantage and trading with Country B: A. wages and rents should fall in Country A B. wages and rents should rise in Country A C. wages should rise and rents should fall in Country A D. wages should fall and rents should raise in Country A ?

1097. XA. wages and rents should fall in Country A
B. wages and rents should rise in Country A
C. wages should rise and rents should fall in Country A
D. wages should fall and rents should raise in Country A

1098. A product will be traded only if the pre-trade price difference between the two countries ?

A. is less than the cost of transporting it between them
B. is greater than the cost of transporting it between them

equals the cost of transporting it between them
C. equals the cost of transporting it between them
D. more information in needed to answer this

1099. Interindustry trade can be explained by all of the following except ?
A. high transportation costs as a proportion of product value
B. different growing seasons of the year for agricultural products
C. product differentiation for good such as automobiles
D. high per capita incomes in exporting countries

1100. The factor endowment model of international trade was developed by ?
A. Adam Smith
B. David Ricardo
C. John Stuart Mill
D. Eli Heckscher and Bertil Ohlin

1101. Which trade theory contends that a country that initially develops and exports a new product may eventually become an importer of it and may no longer manufacture the product ?
A. Theory of factor endowments
B. Theory of overlapping demands
C. Economies of scale theory
D. Product life cycle theory

1102. The trade model of the Swedish economies Heckscher and Ohlin maintains that ?
A. Absolute advantage determines the distribution of the gains from trade
B. Comparative advantage determines the distribution of the gains from trade
C. The division of labor is limited by the size of the world market
D. A country exports goods for which its resource endowments are most suited

1103. For the United States empirical studies indicate that over the past two hundred years the cost of international transportation relative to the value of U.S imports has ?
A. increased
B. Decreased
C. Not changed
D. Any of the above

1104. _____ 1954 study of U.S trade patterns showed that U.S exports were labor-intensive compared with U.S imports, even though the United States was widely regarded as a relatively capital-abundant nation ?

A. Paul Samuelson's
B. Wolfgang Stolpher's
C. Staffan Linder's
D. Wassily Leontief's

1105. That the division of labor is limited by the size of the market best applies to which explanation of trade ?
A. Factor endowment theory
B. Product life cycle theory
C. Economies of scale theory
D. Overlapping demand theory

1106. Dynamic comparative advantage theory ?
A. **helps explain why some nations use industrial policy to support potentially competitive new firms**
B. cannot explain strategic competition between firms such as Boeing and Airbus
C. Is another name for Ricardo's comparative advantage theory?
D. None of the above

1107. Declining costs per unit of output results from international trade especially if ?
A. International trade affords producers monopoly power
B. National governments levy imports tariffs and quotas
C. Producing goods entails increasing costs
D. Economies of scale exist for producers

1108. The Heckscher-Ohl in model rules out the classical model's basis for trade by assuming that __________ is (are) identical between countries?
A. factor endowments
B. factor intensities
C. technology
D. opportunity costs

1109. The product cycle theory of trade is essentially a ?
A. static, short run trade theory
B. dynamic long run trade theory
C. zero-sum theory of trade
D. negative-sum theory of trade

1110. Industrial policies intended to foster comparative advantage for domestic industries could result in the implementation of ?
A. research and development subsidies
B. loan guarantees
C. low interest rate loans
D. All of the above

1111. If tastes are identical between countries, then comparative advantage is determined by ?

A. **supply condition only**
B. demand conditions only
C. supply and demand conditions
D. can’t tell without more information

1112. One of the predictions of the Heckscher-Ohlin model is that ?

A. countries with different factor endowments but similar technologies and preferences will have a strong basis for trade with each other
B. countries with tend to specialize but not completely in their comparative advantage good
C. reciprocal demand leads to an equilibrium terms of trade by inducing change in both demand and supply
D. All of the above

1113. The Heckshcer-Ohl assumes that are indentical between countries?

A. tastes and preferences
B. technology levels
C. factor indowments
D. Both A and B

1114. In his empirical test of comparative advantage Wassily Leontief found that ?

A. U.S exports are capital intensive relative to U.S imports
B. U.S imports are labor intensive relative to U.S exports
C. U.S exports are neither labor nor capital intensive
D. None of the above

1115. According to the Heckscher-Ohlin model ?

A. everyone automatically gains from trade
B. The gainers from trade outnumber the losers from trade
C. The scarce factor necessarily gains from trade
D. None of the above

1116. Advocates of industrial policy maintain that government should ?

A. pursue free trade as a policy that leads to maximum global efficiency
B. grant subsidies to firms offering potential comparative advantage
C. provide loans to domestic workers in exporting industries
D. increase interest rates on loans made to firms in import-competing industries

1117. By adjusting the model of comparative advantage to include transportation costs along with production costs we would expect ?

A. The prices of trade goods to be lower than when there are no transportation costs
B. specialization to stop when the production costs of the trading partners equalize
C. The volume of trade to be less than when there are no transportation costs
D. The gains from trade to be greater than when there are no transportation costs

1118. According to the factor price equalization theorem, the ________ factor should oppose free. trade policies in any given country?
A. abundant
B. scarce
C. neither
D. can't tell without more information

1119. Which of the following is not true about most farmers in LDCs ?
A. The staple crop is the chief sources of food
B. labor is underutilized except for planting and harvesting seasons
C. On the traditional farm, output is always greater than consumption
D. cultivators farm only as much land as their

1120. Which of the following is not true about the specialized farm ?
A. Such a farm is the most advanced
B. Such a farm usually emphasizes
C. Such a farm is labor intensive
D. Such a farm uses advanced technology and takes advantage of economies of scale.

1121. Which scholar argues the following Plantations have no significant advantage over peasants [for] crops for which centralized processing and marketing are not necessary Cocoa and coconuts are typical examples of a lack of large scale economies Peasants can grow and process these crops in small lots with no large capital requirement beyond small indigenous tools and facilities ?
A. **Yujiro Hayami**
B. Raanan Weitz
C. Hans Singer
D. Tim Dyson

1122. Which of the following is not a major factor raising LDC agricultural labor productivity ?
A. new biological chemical mechanical inputs in production
B. new technical and organizational knowledge from greater specialization

C. expanded markets for agricultural output

D. massive government intervention

1123. **Which index combines measures of calorie availability (in relation to requirement) the growth of per capita daily energy supply food production food staples self-sufficiency, and variability of food production and consumption ?**

A. food sufficiency index

B. food security index

C. food self-intake index

D. food growth index

1124. **Which of the following colonial policy contribute further to today's agricultural underdevelopment in Africa ?**

1125. Colonial governments compelled farmers to grow selected crops

II. Colonialism often changed traditional land tenure systems from individual control to communal

III. Colonialists failed to train African agricultural scientists and managers

IV. Research and development concentrated on food production and small farmers and herders.

A. I and II only

B. I and III only

C. III and IV only

D. II and III only

1126. **Amartya K. Sen emphasizes that having enough to eat depends on ?**

A. society's system of entitlement

B. an egalitarian income distribution

C. low poverty rates

D. society's high Gini concentration

1127. **Which of the following is a form of urban bais ?**

I- Government may set price floors on food and price ceilings for industrial goods

II- Tax incentive and subsidies to infant industry

III- Tariff and quota protection for industry

IV- Spending more for education training housing, health and transport in urban areas than in rural areas.

1128. I, II , III only

B. I, II and IV only

C. II, III and IV only

D. I, II, III and IV

1129. Most of Latin America has been characterized by ______ large land-grand estates owned by the few and ________ small poor holdings that rarely provide adequate employment for a family ?

A. multitudinous latitudinous

B. latifundios, minifundios

C. feudum, nocere

D. grameen, repetto

1130. Which of the following is not a consequence of growing agricultural commercialization ?

A. An increase in the number of landless laborers

B. An increase in rural poverty

C. Women gain in decision making power

D. Workers nutrition is reduced

1131. Which of the following statement about rural and agricultural development is true ?

A. Rural development is the same as agricultural development

B. The agrarian community requires a full range of services such as schools merchants banks and so on

C. Household nonfarm income is uncorrelated to farm productivity and uncorrelated to farm productivity and household incomes in Kenya

D. China’s rural population receives little income from nonfarm income

1132. Which of the following is not among the most advanced global food chain cluster with headquarters in the US ?

A. cargil/Monsanto

B. ConAgra

C. Novartis/ADM

D. Procter & Gamble

1133. Which of the following NOT a cause of food insecurity, according to Nic Maunder, a specialist on Ethiopia ?

A. War and bad governance

B. Corruption and mismanagement

C. Poor roads

D. Aid from developed nations

1134. A set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he possesses is known as ?

A. **Production possibilities**

B. entitlement

C. income distribution

D. egalitarianism

1135. In food demand growth equation D = Φ + a E, a is the income elasticity of demand for food E is the per capita income growth and Φ is ?
A. Poverty rates
B. food security index
C. change in the quantity of food demanded per capita
D. population growth

1136. Prices that do not always adjust rapidly to maintain equality between quantity supplied and quantity demanded are ?
A. market prices
B. sticky prices
C. fixed prices
D. regulatory prices

1137. According to the classical economists the economy ?
A. requires fine tuning to reach full employment
B. can never deviate from full employment
C. will never be at full employment
D. is self-correcting.

1138. Keynesian economics became popular because it was able to explain ?
A. stagflation in the late 1970s
B. demand-pull inflation in the 1960s
C. low growth rates in the 1950s
D. The prolonged existence of high unemployment during the Great depression

1139. The government increase government spending to try to reduce unemployment This is an example of ?
A. laissez-faire.
B. monetary policy
C. fine tuning
D. automatic stablisers

1140. Rapid increase in the price level during periods of recession of high unemployment are known as ?
A. slump
B. inflation
C. stagflation
D. stagnation

1141. The rational-expectation hypothesis suggests that the forecasts that people make concerning future inflation rates ?
A. consistently overestimate the actual rate of inflation in the future.

B. are always correct
C. consistently underestimate the actual rate of inflation in the future
D. are correct on average, but are subject to errors that are distributed randomly

1142. The persistence of a phenomenon such as unemployment, even then its causes have been removed is called ?
A. the fallacy of composition
B. negative entropy.
C. hysteresis.
D. ceteris paribus

1143. If the demand for money depends on the interest rate the velocity of circulation is ?
A. not constant and the quantity theory of money does hold.
B. constant and the quantity theory of money does hold.
C. not constant and the quantity theory of money does not hold.
D. constant and the quantity theory of money does not hold.

1144. New classical theories were an attempt to explain ?
A. how unemployment could have persisted for so long during the Great Depression
B. The increase in the growth rate of real output in the 1950s
C. the stagflation of the 1970s
D. Why policy changes that are perceived as permanent have more of an impact on a person’s behaviour than policy changes that are viewed as temporary.

1145.

1146. A group of modern economists who believe that markets clear very rapidly and that expanding the money supply will always increase prices rather than employment are the ?
A. Keynesians
B. post-keynesians
C. monetarists
D. new classical school

1147. A group of modern economists who believe that institutional factors and confidence strongly influence business behaviour and that expanding demand will usually increase output rather than prices are the ?
A. monetarists.
B. keynesians
C. post-keynesians
D. new classical school

1148. The economists who emphasised wage flexibility as a solution for unemployment were ?

A. new-Keynesian.
B. post-Keynesian.
C. classical economists.
D. Keynesian.

1149. According to classical models, the level of employment is determined primarily by ?

A. the level of aggregate demand for goods and services.
B. prices and wages
C. interest rates
D. the quantity of money

1150. According of Keynes, the level of employment is determined by ?

A. the behaviour of trade unions.
B. the quantity of money
C. price and wages
D. the level of aggregate demand for goods and services

1151. The nation that the government can establish the macroeconomic is known as ?

A. **fine tuning**
B. monestarism
C. microeconomics foundations of macroeconomics
D. the classical model

1152. The hypothesis that people know the true model of the economy and that they use this model to form their expectations of the future is the ?

A. **Rational-expectations hypothesis**
B. Passive-expectations hypothesis
C. adaptive expectations hypothesis
D. lagged-expectations hypothesis.

1153. People are said to have rational expectations if they ?

A. assume that this year's inflation rate will be the same as last year's inflation rate
B. merely guess at the inflation rate.
C. assume that this year's inflation rate will be equal to the average inflation rate over the past 10 years
D. Use all available information in forming their expectations.

1154. The quantity theory of money implies that a given percentage change in the money supply will cause ?

A. **an equal percentage change in nominal DGP.**
B. an equal percentage change in real GDP

C. a larger percentage change in nominal GDP
D. a smaller percentage change in nominal

1155. It is difficult to determine if the velocity of money is constant over time because ?
A. it is difficult to measure the value of nominal GDP over time
B. there has been very little fluctuation in the money supply over time.
C. it is difficult to measure the demand for money over time
D. whether velocity is constant or not may depend on how the money supply is measure.

1156. The regarding the new classical macroeconomics is hoe realistic is the assumption ?
A. that monetary policy affects aggregates demand
B. that markets do not clear quickly
C. that fiscal policy affects aggregate demand
D. of rational expectations.

1157. The amount today that would be needed, at prevailing interest rates, to produce a particular sum in the future is known as ?
A. future value
B. fair value
C. present value
D. compound value
E. beginning value

1158. JCB (Which makes agricultural and construction equipment) has the opportunity to purchase a new factory today that will provide them with a Rs50 million return four years from now If prevailing interest rates are 6 percent, what is the maximum that the project can cost for JCB to be willing to undertake the project ?
A. Rs 43,456,838
B. Rs 53,406,002
C. Rs 34,538,902
D. Rs 39,604,682

1159. If two countries start with the same real GDP/person and one country grows at 2 percent while the other grows at 4 percent ?
A. one country will always have 2 percent more real GDP/person than the other
B. the standard of living in the country growing at 4 percent will start to accelerate away from the slower growing country due to compound growth
C. the standard of living in the two countries will converge

D. Next year the country growing at 4 percent will have twice the GDP/person as the country growing at 2 percent

1160. Which of the following does not help reduce the risk that people face ?

A. **increasing the rate of return within their portfolio**
B. diversifying their portfolio
C. All of these answers help reduce risk
D. buying insurance

1161. Idiosyncratic risk is the ?

A. uncertainty associated with the entire economy
B. uncertainty associated with specific companies
C. risk associated with adverse selection
D. risk associated with moral hazard

1162. Compared to a portfolio composed entirely of shares a portfolio that is 50 percent government bonds and 50 percent shares will have a ?

A. **lower return and a lower level or risk**
B. lower return and a higher level of risk
C. higher return and a lower level or risk
D. higher return and a higher level of risk

1163. If the efficient markets hypothesis is true, then ?

A. shares tend to be overvalued
B. the stock market is informationally efficient so share prices should follow a random walk
C. All of these answers
D. fundamental analysis is a valuable tool for increasing one’s returns from investing in shares

1164. Which of the following should cause the price of a share of stock to rise ?

A. None of these answers
B. An increase in expected dividends
C. A reduction in aggregate risk
D. A reduction in the interest rate
E. All of these answers

1165. Share prices will follow a random walk if ?

A. shares are overvalued
B. people behave irrationally when choosing shares
C. markets reflect all available information in a rational way
D. shares are undervalued

1166. It is difficult for an actively managed investment fund to outperform an index fund because ?

A. stock markets tend to be inefficient
B. all of these answers
C. index funds are able to buy undervalued stocks
D. actively managed funds trade more often and charge fees for their alleged expertise

1167. If a depositor puts Rs100 in a bank amount that earns 4 percent interest compounded annually, how much will be in the account after five years ?
A. Rs400.00
B. Rs 104.00
C. Rs 121.67
D. Rs 123.98

1168. An increase in the prevailing interest rate ?
A. increases the present value of future returns from investment and increases investment
B. decreases the present value of future return from investment and decreases investment
C. decreases the present value of future returns from investment and increase investment
D. increases the present value of future returns from investment and decreases investment

1169. If people are risk averse, then ?
A. None of these answers are true
B. All of these answers are true
C. They dislike bad things more than the like comparable good things
D. The utility they would lose from losing a Rs50 bet would exceed the utility they would gain from winning a Rs 50 bet
Their utility function exhibit the property of diminishing marginal utility of wealth

1170. Which of the following is an example of moral hazard ?
A. **After Gull buys fire insurance, he begins to smoke cigarettes in bed.**
B. None of these answers demonstrate moral hazard
C. Mahmood has been feeling poorly lately so he seeks health insurance
D. All of these answers demonstrate moral hazard

1171. Diversification of portfolio can ?
A. reduce aggregate risk
B. eliminate all risk
C. increase the standard deviation of the portfolio’s return
D. reduce idiosyncratic risk

1172. The study of a company’s accounting statements and future prospects to determine its value is known as ?
A. information analysis
B. risk management
C. fundamental analysis
D. diversification

1173. Which of the following reduces risk in a portfolio the greatest ?
A. Increasing the number of shares from 10 to 20
B. All of these answers provide the same amount of risk reduction
C. Increasing the number of shares in the portfolio from 1 to 10
D. Increasing the number of shares from 20 to 30

1174. Speculative bubbles may occur in the shares market ?
A. during periods of extreme pessimism because so many stocks become undervalued
B. only when people are irrational
C. when stocks are fairly valued
D. because rational people may buy an overvalued share if they think they can sell it to someone for even more at a later date

1175. Members of the EU find that trade creation|| is fostered when their economies are ?
A. **highly competitive**
B. highly noncompetitive
C. small in economic importance
D. geographically distant

1176. Which country is not a member of the European Union ?
A. Spain
B. Germany
C. France
D. Iceland

1177. Which factor of production in the United States is most likely to be made worse off (its factor payment will decrease) because of the North American Free Trade Agreement ?
A. Capital
B. land
C. skilled labor
D. unskilled labor

1178. The Common Agricultural Policy of the European Union has ?
A. increase American farm exports to the EU
B. decrease American farm exports to the EU
C. lowered the price of American farm exports to the EU
D. not affected the price of American farm exports to the EU

1179. When several countries jointly impose common external tariffs, eliminate tariffs on each other, and eliminate barriers to the movement of labor and capital among themselves, they have formed a/na ?

A. free trade area
B. customs union
C. common market
D. economic union

1180. Under the Common Agricultural Policy exports of any surplus quantities EU produce are encouraged through the usage of ?

A. variable levies
B. export subsidies
C. trigger prices
D. countertrade

1181. In free trade A will import ?

A. 700 units from country C
B. 700 units from country C and 600 units from country B
C. 600 units from country C
D. 600 units from country C and 400 units from country B

1182. The NAFTA is a ?

A. monetary union
B. free trade area
C. common market
D. customs union

1183. If A forms a customs union with B, A will import ?

A. **400 units from B**
B. 200 units from C
C. 200 units from each
D. 400 units from B and 200 units from C

1184. The European Monetary Union is an example of a ?

A. customs union
B. free trade area
C. reciprocal trade agreement
D. monetary union

1185. A ____ is a regional trading bloc in Which member countries eliminate internal trade barriers but maintain existing barriers against countries that are not member ?

A. **free trade area**
B. customs union
C. common market
D. monetary union

1186. Which level of economic integration best applies to the U.S economy ?
A. free trade area
B. customs union
C. common market
D. monetary union

1187. Suppose that tomatoes from Mexico face a 20 percent tariff in the United States and a 25 percent tariff in Canada. If the United States and Canada maintain free trade between each other, the these two countries belong to a ?
A. **free-trade area**
B. customs union
C. common market
D. monetary union

1188. When imports from a higher-cost supplier within a customs union replace imports from a lower-cost supplier outside the custom union, there exists ?
A. trade creation
B. trade diversion
C. dynamic welfare effects
D. comprehensive welfare effects

1189. Trade creation takes place when ?
A. a country moves from autarky to free trade
B. a movement to a customs union reduces the cost of trade through standardization
C. economic integration results in a movement in product origin to a lower-cost member country
D. economic integration results in a shift in product origin from a lower cost nonmember country to a member country having higher costs

1190. Under the EU's Common Agricultural Policy, a variable import levy equals the ?
A. **amount the which the EU's support price exceeds the world price**
B. amount by which the world price exceeds the EU's support price
C. support price of the EU
D. world price

1191. The European Union has achieved all of the following except ?
A. **adopted a common fiscal policy for member nations**
B. established a common system of agricultural price supports

C. disbanded all tariffs between its member countries
D. levied common tariffs on products imported from nonmembers

1192. **The European Union is an example of a/an ?**
A. customs union
B. economic union
C. common market
D. free trade area

1193. **The implementation of the European Union has ?**
A. **made it harder for Americans of compete against the Germans in the British market**
B. made it easier for Americans to compete against the Germans in the British market
C. made it harder for Americans to compete against the Japanese in the British market
D. made it easier for Americans to compete against the Japanese in the British

1194. **As of 2002, the _________ became the official currency union of the European Monetary System ?**
A. dollar
B. mark
C. franc
D. euro

1195. **The implementation of a common market involves all of the following except ?**
A. elimination of trade restrictions among member countries
B. a common tax system and monetary union
C. prohibition to restriction on factor movements
D. a common tariff levied in imports from nonmembers

1196. **Trade diversion takes place when ?**
A. a country moves from autarky to free trade
B. a movement to a customs union reduces the costs of trade through standardization economic integration results in a
C. economic integration results in a movement in product origin to a lower cost member country
D. economic integration results in a shift in product origin from a lower-cost, nonmember country to a member country having higher costs

1197. **If A imposes a per unit tariff of $10 on imports from both B and C A will import ?**
A. 400 units from B
B. 200 units from C

C. 200 units from each
D. 400 units from B and 200 units from C

1198. If A forms a customs union with C, the value of trade diversion will be ?
A. **$0**
B. $10,000
C. $20,000
D. $40,000

1199. ________ is said to exist when the formation of a regional trading group leads to the reduction of trade with nonmember countries in favor of member countries ?
A. trade creation
B. trade diversion
C. trade exclusion
D. trade distortion

1200. _________ is said to exist when the formation of a regional trading group leads to an expansion of trade above pregroup levels ?
A. **trade creation**
B. trade diversion
C. trade exclusion
D. trade distortion

1201. A positive, dynamic effect of economic integration is illustrated by ?
A. trade diversion effect
B. increased monopoly power of firms
C. decrease customs costs
D. economy-of-scale effect

1202. Trade creation will more likely outweigh trade diversion for Country X that forms a customs union if the level of tariffs in Country X prior to the customs union is ________ and the total number of countries forming the customs union is _________?
A. **relatively high; relatively large**
B. relatively high; relatively small
C. relatively low ; relatively large
D. relatively low ; relatively small

1203. Criticisms against the North American Free Trade Agreement include all of the following except ?
A. **wages in the United States will rise relative to Mexican wages**
B. American jobs will be lost to workers in Mexico
C. The environment is not adequately protected by NAFTA
D. None of the above

1204. Profit-maximizing firms want to maximize the difference between ?
A. marginal revenue and marginal cost.
B. total revenue and total cost
C. total revenue and marginal cost
D. marginal revenue and average cost

1205. Which of the following is most likely to be a variable cost for a firm ?
A. The franchiser's fee that a restaurant must pay to the national restaurant chain
B. The payroll taxes that are paid on employee wages.
C. The monthly rent on office space that it leased for a year
D. The interest payments made on loans.

1206. Relative to a competitively organized industry a monopoly ?
A. **Produces less output, charges higher prices and earns economic profits.**
B. Produces less output, charges lower prices and earns only a normal profit
C. produces more output, charges higher prices and earns economics profits
D. produces less output, charges lower prices and earns economic profits

1207. The short run, as economists use the phrase, is characterized by ?

A. a period where the law of diminishing returns does not hold.
B. at least one fixed factor of production and firms neither leaving nor entering the industry
C. all inputs being variable
D. no variable inputs – that is all of the factors of production are fixed

1208. In the long run ?
A. all firms must make economic profits.
B. there are no fixed factors of production
C. a firm can vary all inputs, but it cannot change the mix of inputs it uses.
D. a firm can shut down, but it cannot exit the industry

1209. If the ABC Typing Service is earning a rate of return greater than the return necessary for the business to continue operations, then ?
A. normal profit is zero
B. total costs exceed total revenue
C. total costs exceed normal profit
D. the firm is earning are economic profit

1210. The normal rate of profit for relatively risk-free firms will be __________ the interest rate on risk-free government bonds?
A. approximately one-half
B. smaller than
C. larger than
D. approximately equal to

1211. In a monopoly, marginal revenue is ?
A. **lower than price for all units other than the first**
B. less than price at low levels of output and greater than price at high levels of output
C. always greater than price
D. always equal to price

1212. An industry that realizes such large economies of scale in producing its product that single-firm production of that good or service is most efficient is called ?
A. a fixed cost monopoly
B. a natural monopoly
C. a government franchise monopoly
D. a economies of scale monopoly

1213. A market is defined as perfectly contestable if ?
A. entry to it is costly but exit from it is costless
B. entry to it and exit from it are both costless
C. entry to it and exit from it are both costly
D. entry to ti costless but exist from it is costly

1214. Monopolistic competition differs from perfect competition primarily because ?

A. in monopolistic competition entry into the industry is blocked
B. in monopolistic competition there are relatively few barriers to entry.
C. in monopolistic competition, firms can differentiate their products
D. in perfect competition firms can differentiate their products

1215. A monopolistically competitive firm that is incurring a loss will produce as long as the price that the firm charges is sufficient to cover ?

A. marginal costs
B. fixed costs
C. variable costs
D. advertising costs

1216. The long-run equilibrium outcomes in monopolistic competition and perfect competition are similar because in both market structures ?

A. the efficient output level will be produced in the long run
B. firms will only earn a normal profit
C. firms realize all economies of scale
D. firms will be producing at minimum average cost

1217. Which of the following statements best describes the outcome under monopolistic competition ?

A. In monopolistic competition, there are too many firms and each firm produce a slightly different product at a scale that is less than optimal
B. In monopolistic competition there are too few firms and each firm produce a slightly different product at scale that is greater than optimal
C. in monopolistic competition there is the correct number of firm and each firm produces a slightly different product at an optimal scale.
D. In monopolistic competition there are too many firms and each firm produce a slightly different product at the optimal scale

1218. When one firm in the breakfast cereal market started an advertising campaign that stressed the nutritional value of its cereals, all other cereal manufacturers started similar advertising campaign This suggests that the breakfast cereal market is ?

A. monopolistically competitive
B. oligopolistic
C. perfectly competitive
D. indeterminate from this information

1219. Assume that firms in an oligopoly are currently colluding to set price and output to maximise total industry profit. If the oligopolists are forced to stop colluding, the price charged by the oligopolists will __________ and the total output produced will ___________?

A. decrease; decrease

B. increase; decrease

C. decrease; increase

D. increase; increase

1220. A group of firms that gets together to make price and output decisions is called ?

A. a concentrated industry.

B. a cartel

C. price leadership

D. an oligopoly.

1221. An oligopoly with a dominant price leader will produce a level of output ?

A. equal to what a monopolist would choose in the same industry

B. between that which would prevail under competition and that which a monopolist would choose in the same industry

C. that would prevail under competition

D. between that which would prevail under competition and that which a monopolistic competitor would choose in the same industry.

1222. A major weakness of the kinked demand curve model of oligopoly is that ?

A. it assumes that firms believe that their rivals will not respond to any price change they initiate

B. it fails to explain how a firm arrived at its price and output decision initially

C. The model cannot be tested empirically.

D. Real-world pricing strategies are more simple than those assumed in this model

1223. Which of the following statements is False ?

A. participants in a contestable market are continuously faced with competition or the threat of competition because entry is cheap

B. In a contestable market, economic profits cannot persist in the long run.

C. In a contestable market forces will guarantee that the firms produce efficiently or be driven out of business

D. For a market to be contestable, the product must be produced with a labor-intensive technology

1224. Which statement is False ?

A. **Fixed costs are zero if the firms is producing nothing.**
B. Fixed costs are the difference between total costs and total variable costs
C. There are no fixed costs in the long run
D. Fixed costs do not depend on the firm's level of output

1225. The costs that depend on output in the short run are ?
A. total fixed cost only.
B. total variable costs only.
C. both total variable costs and total costs.
D. total costs only

1226. Diminishing marginal return implies ?
A. decreasing average fixed costs.
B. decreasing marginal costs.
C. decreasing average variable costs.
D. increasing marginal costs.

1227. If the total product of two workers is 80 and the total product of 3 workers is 90 then the average product of the third worker is ________ and the marginal product of the third worker is _________?
A. 160; 270
B. 10; 30
C. 10; 3.33
D. 30; 10

1228. Suppose Handel's Ice Cream experiences economies of scale up to a certain point and diseconomies of scale beyond that point. Its long-run average cost curve is most likely to be ?
A. downward sloping to the right
B. U-shaped
C. Horizontal
D. upward sloping to the right

1229. A graph showing all the combinations of capital and labor that can used to produce a given amount of output is ?
A. an indifference curves.
B. an isoquant.
C. an isocost line
D. a production functions

1230. A graph showing all the combinations capital and labor available for a given total cost is the ?
A. expenditure set
B. isocost line.

C. budget constraint
D. isoquant

1231. The formula for average variable cost (AVC) is ?
A. DTVC/Dq
B. q/TVC
C. Dq/DTVC
D. TVC/q

1232. A firm in perfectly competitive industry is producing 50 units, its profit-maximising quantity. Industry price is £2 and total fixed costs and total variable cost are £25 and £40 respectively. The firm’s economic profit is ?
A. **£35**
B. £15
C. £30
D. £60

1233. A firm will shut down in the short run if ?
A. fixed costs exceed revenues.
B. it is suffering a loss.
C. variable costs exceed revenues
D. total costs exceed revenues

1234. Market power is ?
A. a firm’s ability to monopolies a market completely.
B. a firm’s ability to raise price without losing all demand for its product
C. a firm’s ability to sell any amount of output it desires at the market-determined price.
D. a firm’s ability to charge any price it likes

1235. If a firm has some degree of market power, then output price ?
A. no longer influences the amount demand of the firm’s product
B. becomes a decision variable for the firm
C. is guaranteed to be above a firm’s average cost.
D. is determined by the actions of other firms in the industry

1236. Diminishing marginal return implies ?
A. decreasing average fixed costs.
B. decreasing marginal costs.
C. decreasing average variable costs.
D. increasing marginal costs.

1237. If the total product of two workers is 80 and the total product of 3 workers is 90 then the average product of the third worker is _________ and the marginal product of the third worker is __________?

A. 160; 270
B. 10; 30
C. 10; 3.33
D. 30; 10

1238. **Suppose Handel’s Ice Cream experiences economies of scale up to a certain point and diseconomies of scale beyond that point. Its long-run average cost curve is most likely to be ?**
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D. a firm's ability to charge any price it likes

1245. If a firm has some degree of market power, then output price ?

A. no longer influences the amount demand of the firm's product

B. becomes a decision variable for the firm

C. is guaranteed to be above a firm's average cost.

D. is determined by the actions of other firms in the industry

1246. The cosmetics industry is not considered by economists to be a good example of perfect competition because ?

A. there are many EU and government health controls on cosmetic products

B. there are a very large number of firms in the industry

C. firms spend a large amount of money on advertising

D. profit margins are very high for both producers and retailers

1247. If firms can neither enter nor leaves an industry, the relevant time period is the ?

A. immediate run

B. intermediate run

C. long run

D. short run

1248. A normal rate of profit ?

A. Is the rate of return on investments over the interest rate on risk-free government bonds.

B. is the rate that is just sufficient to keep owners or investors satisfied.

C. is the difference between total revenue and total costs

D. is zero in a perfectly competitive industry.

1249. Economic profits are ?

A. the difference between total revenue and total costs.

B. anything greater than the normal opportunity cost of investing

C. the opportunity costs of all inputs

D. a rate of profit that is just sufficient to keep owners and investors satisfied

1250. The slope of marginal revenue curve is ?

A. always equal to one.
B. half as steep as the demand curve
C. the same as the slope of the demand curve
D. twice as steep as the demand curve

1251. Suppose we know that a monopolist is maximizing its profits. Which of the following is a correct inference? the monopolist has?
A. maximized its total revenue
B. set price equal to its average cost
C. equated marginal revenue and marginal cost
D. maximized the difference between marginal revenue and marginal cost.

1252. Form society's point of view, society would be better off if a monopolist ?
A. produced less and charged a higher price
B. produced more and charged a higher price
C. produced more and charged a lower price
D. produced less and charged a lower price.

1253. In contestable markets, large oligopolistic firms, end up behaving like ?
A. perfectly competitive firms
B. a cartel
C. a monopoly
D. monopolistically competitive firms.

1254. In monopolistic competition firms achieve some degree of market power ?
A. **by producing differentiated products**
B. because of barriers to exit from the industry
C. by virtue of size alone
D. because of barriers to entry into the industry

1255. A firm in a monopolistically competitive industry ?
A. sells a fixed amount of output regardless of price.
B. must raise price to sell more output
C. can sell an infinite amount of output at the market-determined price
D. must lower price to sell more output.

1256. Which of the following statements best describes the outcome under monopolistic competition ?
A. It is efficient because the right amount of output is produced, but not efficient in that the output produced is produced at a cost above minimum average total cost
B. It is efficient because entry is free and economic profits are eliminated in the long run.

C. It is not efficient because too little output is produced and the output that is produced is produced at a cost above minimum average total cost

D. It is not efficient because too little output is produced but is efficient in that the output produced is produced at minimum average total cost.

1257. A form of industry structure characterized by a few firms, each large enough to influence market price is ?

A. perfect competition

B. monopolistic competition

C. oligopoly

D. monopoly

1258. An industry that has a relatively small number of firms that dominate the market is called ?

A. a colluding industry

B. a merged industry

C. a concentrated industry

D. a natural monopoly

1259. A price- and quantity-fixing agreement is known as?

A. price leadership

B. price concentration

C. collusion

D. game theory,

1260. In which of the following circumstances would a cartel be most likely to work ?

A. **The market for copper, where there are very few producers and the product is standardized.**

B. The fast-food market where there are a large number of producers but the demand for fast food is inelastic

C. The coffee market where the product is standardized and there are a large number of coffee growers.

D. The automobile industry, where there are few producers but there is great product differentiation.

1261. The kinked demand curve model of oligopoly assumes the elasticity of demand ?

A. in response to a price increase is less elastic than the elasticity of demand in response to a price decrease

B. is perfectly elastic if price increases and perfectly inelastic if price decreases

C. is constant regardless of whether price increase of decrease.

D. in response to a price increases is more elastic than the elasticity of demand in response to a price decrease

1262. A market is defined as perfectly contestable if ?

A. **entry to it and exit from it are both costless**
B. entry to it and exit from it are both costly
C. entry to it costless, but exit from it is costless
D. entry to it is costly, but exit from it is costless

1263. In contestable markets large oligopolistic firms end up behaving like ?

A. **monopolistically competitive firms**
B. a cartel
C. perfectly competitive firms
D. a monopoly.

1264. The most important factors of production are ?

A. **labor, land, and capital**
B. water, earth and knowledge
C. money, stocks and bonds.
D. management finance and marketing

1265. The value of the marginal product of labor is ?

A. the price of the output times wage of labor
B. the price of the output times the marginal product of labor
C. none of these answers
D. the wage of labor times the quantity of labor
E. the wage of labor times the marginal product of labor

1266. A decrease in the demand or fish ?

A. decrease the value of the marginal product of fishermen reduces their wage, and reduces employment in the fishing industry
B. increase the value of the marginal product of fishermen increase their wage, and increase employment in the fishing industry.
C. decrease the value of the marginal product of fishermen, reduces their wage, and increases employment in the fishing industry
D. increase the value of the marginal product of fishermen increase their wage and decreases employment in the fishing industry

1267. An increase in the demand for apples will cause all but which of the following ?

A. **a decrease in the number of apple pickers employed**
B. an increase in the value of the marginal product of apple pickers
C. an increase in the price of apples
D. an increase in the wage of apple pickers

1268. If both input and output markets are competitive and firms are profit maximizing, then in equilibrium each factor of production earns ?

A. an amount equal to the price of output times total output
B. the amount allocated by the political process
C. an equal share of output
D. the value of its marginal product

1269. An increase in the demand for a firm’s output ?

A. decrease the prosperity of the firm but increases the prosperity of the factors hired by the firm
B. decreases the prosperity of both the firms and the factors hired by the firm.
C. increases the prosperity of both the firm and the factors hired by the firm.
D. increases the prosperity of the firm but decreases the prosperity of the factors hired by the firm.

1270. Which of the following is not true with regard to workers who have a high value of marginal product? These workers ?

A. have skills that are in relatively scarce supply
B. produce output for which there is great demand
C. usually have little capital with which to work
D. are usually highly paid

1271. When capital is owned by the firm as opposed to being directly owned by household capital income may take any of the following forms except ?

A. interest
B. dividends
C. increases in stocks of goods
D. retained earnings

1272. If a factor exhibits diminishing marginal product, hiring additional units of the factor will ?

A. cause a reduction is output
B. have no effect on output
C. increase the marginal product of the factor
D. generate ever smaller amounts of output

1273. For a competitive profit-maximizing firm, the value-of-the-marginal-product curve for capital is the firm’s ?

A. supply curve of capital
B. demand curve for capital
C. production function
D. marginal cost curve

1274. What will a decrease in the supply of fishermen do to the market for capital employed in the fishing industry ?

A. increase the demand for fishing boats and decrease rental rates on fishing boats

B. decreases the demand for fishing boats and increase rental rates on fishing boats.

C. decreases the value of the marginal product of fishermen, reduces their wage, and increases employment in the fishing industry

D. increase the demand for fishing boats and increase rental rates on fishing boats

1275. A decrease in the supply of farm tractors will cause all but which of the following ?

A. an increase in the rental rate for tractor

B. a decrease in the rental rate of farmland

C. a decrease in the value of the marginal product of tractors

D. an increase in the wage of farm workers

1276. An individual firm's demand for a factor of production ?

A. Slopes downward because an increase in the production of output reduces the price at which the output can be sold in a competitive market, thereby reducing the value of the marginal producing the value of the marginal product as more of the factor is use

B. Slopes downward due to the factor's diminishing marginal product

C. slopes upward due to the factor's increasing marginal product

D. is perfectly elastic (horizontal) if the factor market is perfectly competitive

1277. A competitive profit-maximizing firm should hire workers up to the point where ?

A. the wage, the rental price of capital and the rental price of land are all equal

B. the marginal product of labor equals zero and the production function is maximized

C. the value of the marginal product of labor equals the wage

D. the marginal product of labor equals the wage

1278. An increase in the price of automobiles shifts the demand for autoworkers to the ?

A. left and decreases the wage

B. right and decreases the wage

C. right and increases the wage
D. left and increases the wage

1279. **Suppose that a war is fought will biological weapons. The weapons destroy people but not capital. What is likely to happen to equilibrium wages and rental rates after the war when compared to their values before the war ?**
A. **Wages rise, and rental rates fall**
B. Wages rise, and rental rates rise
C. Wages fall, and rental rates rise
D. Wages fall, and rental rates fall

1280. **For a price ceiling to be binding constraint on the market the government must set it ?**
A. above the equilibrium price
B. below the equilibrium price
C. precisely at the equilibrium price
D. at any price because all price ceilings are binding constraints

1281. **Suppose the equilibrium price for apartments is Rs500 per month and the government imposes rent controls of Rs250 Which of the following is unlikely to to occur as a result of the rent controls?**
A. There may be long lines of buyers waiting for apartments
B. Landlords may discriminate among apartment renters
C. Landlords may be offered bribes to rent apartments
D. there will be a storage of housing
E. the quality of apartments will improve

1282. **Which of the following statements about a binding price ceiling is true ?**
A. The shortage created by the price ceiling is greater in the short ran than in the long run.
B. The surplus created by the price ceiling is greater in the short run than in the long run
C. The surplus created by the price ceiling is greater in the long run than in the short run
D. The shortage created by the price ceiling is greater in the long run than in the short run

1283. **The surplus caused by a binding price floor will be greatest if ?**
A. demand is inelastic and supply in elastic
B. supply is inelastic, and demand is elastic
C. both supply and demand are elastic
D. both supply and demand are inelastic

1284. Which of the following statements is true if the government places a price ceiling on petrol at Rs150 per litre and the equilibrium price is Rs100 per litre ?

A. **A significant increase in the demand for petrol could cause the price ceiling to become a binding constraint.**

B. A significant increase in the supply for petrol could cause the price ceiling to become a binding constraint.

C. There will be a shortage of petrol

D. There will be surplus of petrol

1285. Within the supply and demand model, a tax collected from the buyers of a good shifts the ?

A. supply curve downward by the size of the tax per unit.

B. Supply curve upward by the size of the tax per unit

C. demand curve upward by the size of the tax per unit.

D. demand curve downward by the size of the tax per unit

1286. Which of the following takes place when a tax is placed a good ?

A. a decrease in the price buyers pay, an increase in the price sellers receive, and a decrease in the quantity sold

B. an increase in the price buyers pay a decrease in the price sellers receive, and an increase in the quantity sold

C. a decrease in the price buyers pay, an increase in the price sellers receive and an increase in the quantity sold

D. an increase in the price buyers pay a decrease in the price sellers receive and a decrease in the quantity sold

1287. The burden of a tax falls more heavily on the sellers in a market when ?

A. both supply and demand are elastic

B. both supply and demand are inelastic

C. demand is inelastic and supply in elastic

D. demand is elastic, and supply is inelastic

1288. The burden of a tax falls more heavily on the buyers in a market when ?

A. both supply and demand are inelastic

B. demand is elastic, and supply are inelastic

C. both supply and demand are elastic

D. demand is inelastic, and supply is elastic

1289. For which of the following products would the burden of a tax likely fall more heavily on the sellers ?

A. Clothing

B. food

C. housing

D. entertainment

1290. A binding price ceiling creates?

A. a shortage or a surplus depending on whether the price ceiling is set above or below the equilibrium price

B. a surplus

C. a shortage

D. an equilibrium

1291. A price floor ?

A. always determines the price at which a good must be sold

B. sets a legal maximum on the price at which a good can be sold

C. is not a binding constraint if it is set above the equilibrium price

D. sets a legal minimum on the price at which a good can be sold

1292. Which side of the market is more likely to lobby government for a price floor ?

A. the buyers

B. Neither buyers nor sellers desire a price floor.

C. the sellers

D. Both buyers and sellers desire a price floor.

1293. Which of the following is an example of price floor ?

A. **the minimum wage**

B. rent controls

C. restricting petrol prices to Rs100 per litre when the equilibrium price is Rs150 per litre

D. All of these answers are price floors

1294. Which of the following workers would be most likely to find it more difficult to get a job after a rise in the minimum wage rate?

A. **a teenage worker with few qualifications.**

B. A manual worker with fifteen years of work experience

C. A professional worker with university degree.

D. All there are equally likely to find it difficult to get a job

1295. Within the supply and demand model, a tax collected from the sellers of a good shift the ?

A. demand curve downward by the size of the tax per unit.

B. supply curve downward by the size of the tax per unit

C. demand curve upward by the size of the tax per unit.

D. supply curve upward by the size of the tax per unit

1296. When a tax is collected from the buyers in a market, ?

A. the tax burden falls most heavily on the buyers.

B. the buyers bear the burden of the tax

C. the sellers bear the burden of the tax

D. the tax burden on the buyers and sellers in the same as an equivalent tax collected from the sellers

1297. **A tax placed on a good that is a necessity for consumers will likely generate a tax burden that ?**
A. falls more heavily on sellers
B. falls entirely on sellers
C. falls more heavily on buyers.
D. is evenly distributed between buyers and sellers.

1298. **Which of the following statements about the burden of a tax is correct ?**
A. The tax burden generated from a tax placed on a good consumer perceive to be a necessity will fall most heavily on the sellers of the good
B. The burden of a tax falls on the side of the market (buyers or sellers) from which it is collected
C. The distribution of the burden of a tax is determined by the relative elasticities of determined by legislation.
D. The tax burden falls most heavily on the side of the market (buyers and sellers) that is most willing to leave the market when price movements are unfavorable to them.

1299. **The Human Development Report 2003, which assumes that poverty is multidimensional calculates a human poverty index based on which of the following measures of deprivation ?**
I- probability at birth of not surviving to age 40
II- adult illiteracy rate
III- negative economic growth
IV- lack of a decent standard of living

1300. I and II only
B. III and IV only
C. I, II and III only
D. I, II and IV

1301. **__________ is below the income that secures the bare essentials of food clothing and shelter ?**
A. Income inequality
B. Absolute poverty
C. sen's poverty index
D. purchasing power poverty

1302. **Indices of income distribution measure ?**
A. absolute poverty
B. economic growth

C. relative poverty
D. standard of living

1303. A value of 1 in Gini index represents ?
A. low inequality
B. maximum inequality
C. 10/10 000% inequality
D. 1% inequality

1304. In 2003, the UN Development Program estimated that a 1-percent LDC per capita consumption growth, with income inequality unchanging, would reduce the poverty percentage by __________ percent yearly?
A. 0
B. 2
C. 6
D. 0.5

1305. The Lorenz curve shows ?
A. **patterns of poverty between developed and developing countries**
B. the change in GDP per capita over time
C. the poorest’s income shares fall in the early stages of growth
D. income concentration relative to a 45-degree line

1306. Sala-i-Martin interpolates income distribution by ?
A. quientiles
B. percentiles
C. simulation
D. relative ratio measures

1307. According to Human Development Report 2003, about _________ countries were poorer in 2003 than in 1990?
A. **50**
B. 100
C. 1000
D. 5

1308. Sen’s welfare theory relies on ?
A. individuals’ accomplishments
B. individuals’ capabilities
C. individuals’ wealth
D. individuals’ education

1309. Income inequalities are often shown on a ?
A. production possibility curve
B. marginal inequality curve

C. sen curve
D. Lorenz curve

1310. The elasticity of propoor growth is ?
A. **the percentage increase in the consumption growth of the poor divided by percentage increase in the consumption growth of the nonpoor**
B. the percentage increase in the poor times percentage increase in the nonpoor
C. the percentage increase in the poverty of the poor divided by percentage increase in the poverty of the nonpoor
D. the percentage increase in the poor people in the Urban divided by percentage increase in the nonpoor in the urban

1311. Peer borrowing groups of five or so people with joit liability approve loans to other members as a substitute for the bank’s screening process The above statement applies to ?
A. Indonesia’s Badan Kredit Kecamatan (BKK)
B. the Association for Development of Microenterprice
C. Bangladesh’s Grameen Bank
D. the Enterprice credit program in Kolkata

1312. A period of rapid population growth between a preindustrial stable population characterized by high birth and death rates and a later modern, stable population marked by low fertility and mortality is known as ?
A. **demographic transition**
B. population maturity
C. demobilizing population
D. birth-death transformation

1313. Throughout most of humankind’s existence, population grew at a rate of ________ per year?
A. 10%
B. 0.002%
C. 2%
D. 0.5%

1314. Which of the following is not a possible cost of high fertility rates and rapid population growth ?
A. **increasing returns to natural resources with a direct impact on average food consumption**
B. increased urbanization and congestion
C. a higher labor force growth rate and higher unemployment
D. a working population that must support a large number of dependents

1315. About __________ of the World's population lives in LDCs?

A. **80%**
B. 50%
C. 25%
D. 35%

1316. Malthus's theory was that population ?

A. increased proportionally to economic growth
B. increased geometrically, outstripping food supply which grew arithmetically
C. increased stagnantly with food supply and economic development
D. increased disproportionately surpassing agricultural production

1317. In 2000, China and India constituted about __________ of the world's population?

A. **40%**
B. 10%
C. 80%
D. 0.10%

1318. Organized family-planning programs and the demand for birth control resulting from urbanization, modernization, economic development and increased education have contributed to ?

A. **a decline in fertility**
B. The demographic transition from stage 3 to stage 2
C. increases in the ratio of labor to capital
D. an increase in the dependency ratio

1319. Julian simon ?

A. supported the Club of Rome's Limits to Growth for estimating technical change
B. assumed that population growth causes technological progress
C. used the second law of thermodynamics to assume that technological progress is costless
D. assumed the classical view of technological change 6

1320. Prototypes of international agricultural research centers are the ?

I- international Center for the Improvement of Maize and Wheat (CIMMYT)
II- International Rice Research Institute (IRRI)
III- Synthetic Rubber Research Institute (SRRI)
IV- Center for International Agricultural production Control (CIAPC)

1321. I only
B. I and II only
C. III and IV only
D. Iv only

1322. The goal of integrated pest management (IPT) is to?

A. **reduce yield losses by pests while minimizing the negative effects of pest control**

B. have year-round plantings of a single crop

C. undertake monoculture pest planning

D. encompass biological control through fertilizers

1323. The ______ is the ratio of the non-working population (under 15-year-old and over 64 years old) to the working-age population ?

A. labor force participation rate

B. per capita population ratio

C. dependency ratio

D. None of these

1324. A stationary population is when population growth is ?

A. increasing at an increasing rate

B. decreasing

C. zero

D. 100%

1325. The Essay on the Principle of Population was written by ?

A. The World Bank

B. Thomas Robert Malthus

C. Julian Simon

D. Abraham Lincoln

1326. Simon's model is consistent with ?

A. population self-sufficiency and constant economic growth

B. low fertility and mortality

C. a laissez-faire population policy

D. a constant returns to scale production function

1327. The development of high-yielding varieties (HYVs) of wheat and rice is known as ?

A. the agribusiness revolution

B. farming system theory

C. the Green Revolution

D. Agri-R&D

1328. The total fertility rate (TFR) is ?

A. The total number of children born in a country in given year a divided by labor force

B. The number of children born to the average woman during her reproductive years.

C. The number of births in a country divided by total population in a given year.

D. The number of woman age 15-45 in a country divided by total population

1329. Which of the following is NOT true about children in a peasant society ?

A. Boys as young as 8 years old tend or herd animals, weed pick and sell produce

B. Children place more economic demands on a peasant family than an urban family

C. Major financial security is usually provided by sons

D. The cost of education entertainment and travel is low

1330. Which of the following is not an example of a global public good ?

A. high-yielding varieties (HYVs) of grains

B. Polio and small-pox vaccinations.

C. the campaign against river blindness

D. the drilling of oil in the Arctic

1331. Economics in India Pakistan the Philippines and Mexico argue the foodgrain growth would not have kept up with population growth in the last four decades without ?

I- improved packages of high-yielding seed varieties

II- fertilizers, pesticides and irrigation

III- improved transportation

IV better extension service

1332. I and III only

B. II and III only

C. I, II and III only

D. I, II, III and IV

1333. Pakistan placed in the world population-wise on __________ number?

A. 8th

B. 10th

C. 11th

D. 6th

1334. The population pf Pakistan according to 1998 Census is ?

A. **142.5 million**

B. 148.5 million

C. 151.0 million

D. 145.4 million

1335. What is the density of population in Pakistan total population of Pakistan ?

A. 38.6%

B. 42.6%

C. 41.0%
D. 32.5%

1336. What is the share of Punjab in the total population of Pakistan ?
A. 60.4%
B. 55.5%
C. 65.5%
D. 68.4%

1337. What is the share of K.P.K in the total population of Pakistan ?
A. 15.5%
B. 13.4%
C. 14.8%
D. 12.7%

1338. In which part of Pakistan the rate of increasing population is fastest ?
A. **Islamabad**
B. Punjab
C. Sindh
D. FATA

1339. What is the share of population between 15 to 60 years of age in total population ?
A. **50%**
B. 45%
C. 48%
D. 55%

1340. What is the share of Pakistan population in the total population of world?
A. 2.8%
B. 2.3%
C. 2.7%
D. 2.6%

1341. What was the crude death rate of 1998 ?
A. 6.4 per 1000
B. 8.6 per 1000
C. 9.8 per 1000
D. 5.6 per 1000

1342. How much of the total potential labour force is unemployed ?
A. **2.42 million**
B. 2.82 million
C. 2.76 million
D. 2.65 million

1343. Which is the second densely populated province of Pakistan ?

A. Punjab
B. K.P.K
C. Baluchistan
D. Sindh

1344. The density of population in Punjab is ?
A. 211 per sq. Km
B. 270 per sq. Km
C. 305 per sq. Km
D. 353 per sq. Km

1345. The density of population in K.P.K is ?
A. 196 per sq. Km
B. 235 per sq. Km
C. 270 per sq. Km
D. 291 per sq. Km

1346. The highest population density rate in Pakistan is in ?
A. Punjab
B. FATA
C. Islamabad
D. Sindh

1347. The density of population per sq. Km in FATA is ?
A. **115**
B. 170
C. 190
D. 230

1348. In which sector the largest labour force is attached in Pakistan ?
A. Industry
B. Agriculture
C. Trade
D. Mines

1349. What is the share of population under 15 in the total population ?
A. 49%
B. 50%
C. 46%
D. 52%

1350. What is the share of Sindh in the total population of Pakistan ?
A. 25%
B. 22%
C. 23%
D. 28%

1351. What is the share of population over 60 years in the total population of Pakistan ?

A. 10%
B. 8%
C. 9%
D. 4%

1352. The current growth rate of population in Pakistan is ?
A. **1.8%**
B. 2.7%
C. 2.6%
D. 2.9%

1353. What was the crude birth rate of 1998 ?
A. **30.5 per 1000**
B. 35.4 per 1000
C. 32.5 per 1000
D. 31.8 per 1000

1354. Which is the most densely populated province of Pakistan ?
A. Baluchistan
B. Punjab
C. K.P.K
D. Sindh

1355. The ratio of Urdu speaking population is ?
A. **8%**
B. 12%
C. 16%
D. 18%

1356. The density of population in Sindh is ?
A. **212 per sq. Km**
B. 239 per sq. Km
C. 270 per sq. Km
D. 305 per sq. Km

1357. The density of population in Baluchistan is ?
A. **18 per sq. Km**
B. 28 per sq. Km
C. 39 per sq. Km
D. 59 per sq. Km

1358. The population density in Islamabad per Sq. Km is ?
A. 630
B. 780
C. 882
D. 990

1359. Which of the following is most urbanized area in Pakistan ?

A. K.P.K
B. Sindh
C. Punjab
D. Baluchistan

1360. The second major profession in Pakistan is ?
A. Agriculture
B. Industry
C. Trade
D. Civil Service

1361. The largest spoken language in Pakistan is ?
A. Urdu
B. Panjabi
C. Sindhi
D. Pushto

1362. Which is the most thinly populated province of Pakistan ?
A. K.P.K
B. Punjab
C. Baluchistan
D. Sindh

1363. In the Sub-Continent, first census was held in ?
A. 1858
B. 1869
C. 1881
D. 1901

1364. The fifth Census was held in ?
A. 1978
B. 1988
C. 1998
D. 2000

1365. The present death rate per thousand in Pakistan in ?
A. **7.1 persons**
B. 11 persons
C. 13 persons
D. 14 persons

1366. If a few firms dominate an industry the market is known as ?
A. monopolistic competition
B. Competitively monopolistic
C. Duopoly
D. Oligopoly

1367. In the kinked Demand Curve theory it is assumed that ?

A. **An increase in price by the firm is not followed by others**
B. An increase in price by the firm is followed by others
C. A decrease in price by the firm is followed by others
D. Firms collude to fix the price

1368. In Game Theory ?
A. Firms are assumed to act independently
B. Firms are assumed to cooperate with each other
C. Firms collude as part of cartel
D. Firms consider the actions of others before deciding what to do

1369. Firms in oligopoly are likely to ?
A. Invest heavily in branding
B. Act independently of other firms
C. Try to differentiate its products
D. Try to be a price maker

1370. In cartels ?
A. Each individual firm profit maximizes
B. There may be an incentive to cheat
C. The industry as a whole is loss making
D. There is no need to police agreements

1371. The market for hand tools (such as hammers and screwdrivers) is dominated by Draper Stanley, and Craftsman This market is best described as ?
A. monopolistically competitive
B. a monopoly
C. an oligopoly
D. competitive

1372. If oligopolists engage in collusion and successfully from a cartel, the market outcome is ?
A. the same as if it were served by competitive firms.
B. efficient because cooperation improves efficiency
C. the same as if it were served by a monopoly.
D. known as a Nash equilibrium

1373. As the number of sellers in an oligopoly grows larger, an oligopolistic market looks more like ?
A. monopoly
B. a competitive market
C. monopolistic competition
D. a collusion solution

1374. When a oligopolist individually chooses its level of production to maximize its profits it charges a price that is ?

A. more than the price charged by either monopoly or a competitive market
B. less than the price charged by either monopoly or a competitive market
C. more than the price charged by a monopoly and less then the price charged by a competitive market
D. less than the price charged by a monopoly and more than the price charged by a competitive market

1375. A situation in which oligopolists interacting with one another each choose their best strategy given the strategies that all the other oligopolists have chosen is known as a ?
A. **Nash equilibrium**
B. dominant strategy.
C. cartel
D. collusion solution

1376. Collusion is difficult for an oligopoly to maintain ?
A. **all of these answers**
B. if additional firms enter of the oligopoly
C. because antitrust laws (also known as competition laws) make collusion illegal
D. because, in the case of oligopoly self-interest is in conflict with cooperation.

1377. Suppose that ABC publishing sells an economics textbook and accompanying study guide. Raheel is willing to pay Rs75 for the text and Rs15 for the study guide. Mariam is willing to spend Rs60 for the text and Rs25 for the study guide. Suppose both the book and study guide have a zero marginal cost of study production. If ABC publishing engages in tying the two products its best strategy is to charge a combined price of ?
A. Rs 60
B. Rs 90
C. Rs 85
D. Rs 75

1378. Laws that make it illegal for firms to conspire to raise prices or reduce production are known as ?
A. antimonopoly laws
B. all of these answers
C. anti-collusion laws
D. pro-competition laws
E. antitrust laws

1379. In a cartel member firms may be given a fixed amount to produce. This is called a ?

A. Limit
B. Factor
C. Quota
D. Quotient

1380. The Kinked Demand curve theory assumes ?

A. Firms cooperate
B. Firms act as part of cartel
C. Firms are competitive
D. Firms are not profit maximisers

1381. In the Kinked demand curve theory ?

A. There is a kink in the marginal cost curve
B. Demand is price inelastic
C. Demand is price elastic
D. non-price competition is likely

1382. In a cartel ?

A. Firms compete against each other
B. Price wars are common
C. Firms use price to win market share from competitors
D. Firms collude

1383. A market structure in which many firms sell products that are similar but not identical is known as ?

A. **monopolistic competition**
B. monopoly
C. perfect competition
D. oligopoly

1384. Suppose an oligopolist individually maximizes its profits. When calculating profits, if the output effect exceeds the price effect on the marginal unit of production, then the oligopolist ?

A. **Should produce more units**
B. has maximized profits.
C. is in a Nash equilibrium
D. Should produce fewer units
E. should exit the industry.

1385. When an oligopolist individually chooses its level of production to maximize its profits, it produces an output that is ?

A. **more than the level produced by a monopoly and less than the level produced by a competitive market**
B. less than the level produced by a monopoly and more than the level produced by a competitive market
C. less than the level produce by either monopoly or a competitive market
D. more than the level produced by either monopoly or a competitive market

1386. As the number of sellers in an oligopoly increases ?
A. output in the market tends to fall because each firm must cut back on production
B. the price in the market moves further from marginal cost
C. collusion is more likely to occur because a larger number of firms can place pressure on any firm that defects
D. The price in the market moves closer to marginal cost

1387. Many economics argue that resale price maintenance ?
A. **has a legitimate purpose of stopping discount retailers from free riding on the services provided by full services retailers?**
B. is price fixing and, therefore is prohibited by law
C. is price fixing and therefore, is prohibited by law and enhances the market power of the producer
D. enhances the market power of the producer

1388. Suppose that ABC publishing sells an economics textbook and accompanying study guide. Raheel is willing to pay Rs75 for the text and Rs15 for the study guide. Mariam is willing to spend Rs60 for the text and Rs25 for the study guide. Suppose both the book and study guide have a zero-marginal cost of study production. If ABC publishing charges separate price for both products its best strategy is to charge price that when combined, total ?
A. Rs 85
B. Rs 75
C. Rs 80
D. Rs 60

1389. A model of Game theory of oligopoly is known as the ?
A. **Prisoner's Dilemma**
B. Monopoly Cell
C. Jailhouses Sentences
D. Jury Box

1390. If a tariff and import quota lead to equivalent increases in the domestic price of steel, then ?

A. the quota results in efficiency reductions but the tariff does not
B. The tariff results in efficiency reductions but the quota does not
C. They have different impacts on how much is produced and consumed
D. They have different impacts on how income is distributed

1391. In a tariff and import quota lead to equivalent increase in the domestic price of steel, then ?
A. The quota results in efficiency reductions but the tariff does not
B. The tariff results in efficiency reductions but the quota does not
C. They have identical impact on how much is produced and consumed
D. They have identical impact on how income is distributed

1392. Antidumping duties are used to ?
A. **offset the margin of dumping**
B. punish domestic consumers for buying high-priced imported goods
C. discourage foreign governments from subsidizing their exporters
D. reduce the tariff revenue of the domestic government

1393. In the absence of traded, Norway’s equilibrium price and quantity equal ?
A. $1,500 and 2,800 computers
B. $2,000 and 1,600 computers
C. $2,500 and 2,000 computers
D. $3,500 and 2,000 computers

1394. To reduce imports, suppose that the government of Norway’s imposes a quota equal to 800 computers, Compared to what occurred under free trade, Norway’s consumers surplus will _________ and its producer surplus will _______ Can you calculate these amounts? Try plotting the information of this table on a sheet of graph paper ?
A. increase, increase
B. increase, decrease
C. decrease, increase
D. decrease, decrease

1395. During periods of growing domestic demand, an import quota ?
A. is less restrictive on a country’s imports than a tariff
B. Is more restrictive on a country’s imports than a tariff
C. has the same restrictive effect on a country’s imports as a tariff
D. will always generate increased tax revenue for the government

1396. In the absence of trade, Canada’s equilibrium price and quantity equal ?

A. $65 and 40 calculators
B. $55 and 20 calculators
C. $45 and 25 calculators
D. $30 and 40 calculators

1397. To aid its calculator producers, suppose that the government provides them a subsidy of $10 for each calculator produced The amount of imports now equals _____ and the deadweight loss of the subsidy to the Canadian economy equals _________?
A. **20 calculator, $50**
B. 20 calculator, $100
C. 25 calculator, $50
D. 25 calculator, $100

1398. If imports licenses are auctioned off to domestic importers in competitive market their scarcity value (revenue effect) accrues to ?
A. foreign corporations
B. foreign workers
C. domestic corporations
D. The domestic government

1399. Import quotas tend to result in all of the following except ?
A. **domestic producers of the imported good being harmed**
B. domestic consumers of the imported good being harmed
C. Prices increasing in the importing country
D. Prices falling in the exporting country

1400. To maintain that South koreans are dumping their DVDs in the United States is to maintain that ?
A. **Koreans are selling DVDs in the U.S below their production cost**
B. Koreans are selling DVDs is the U.s above their productions cost
C. The cost of manufacturing DVDs in Korea is lower in Korea than in the U.S since wages are lower in Korea
D. The cost of manufacturing DVDs in Korea is higher in Korea than in the U.S since wages are higher in Korea

1401. Throughout the world, governments tend to auction quota licenses to their highest bidder ?
A. always
B. often
C. seldom
D. never

1402. In certain industries Japanese employers hesitate to lay off workers Therefore they sometimes have excess supplies of goods that they cannot sell on the home market without lowering prices. To hold

down losses they sell goods in overseas markets at prices well beneath those in japan This practice is best referred to as ?

A. Orderly marketing
B. trigger pricing
C. domestic content pricing
D. dumping

1403. ____________ are quotas that lead to a complete abolishment of trade?

A. **embargoes**
B. voluntary export restraints
C. nontariff barriers
D. orderly marketing agreements

1404. The welfare effects of a quota depend to a considerable extent upon ?

A. who has the quota license
B. the size of the quota
C. elasticities of domestic demand and supply
D. All of the above

1405. The home country government can confiscate the revenue effect of an import quota if ?

A. quota licenses are given to foreign exporting companies
B. quota licenses are auctioned to the highest bidding importing company
C. if quota licenses are given to domestic consumers of the good
D. Both A and C

1406. A(n) _________ is n example of a quota where foreigners hold quota licenses ?

A. **export quota**
B. embargo
C. auction quota
D. tariff quota

1407. Nontariff trade barriers could include all of the following except ?

A. domestic content laws
B. government procurement policies
C. health, safety, and environmental standards
D. antidumping/countervailing duties applied to imports

1408. A tariff-rate quota is essentially a ?

A. **two tier tariff applied to a country’s imports**
B. three-tier tariff applied to a country’s imports
C. two tier quota applied to a county’s exports
D. three tier quota applied to a country’s exports

1409. The form of international price discriminations (dumping) normally associated with economic recession or excess inventories in the exporting nation is known as ?

A. Predatory dumping
B. sporadic dumping
C. persistent dumping
D. year end dumping

1410. ________ occurs when a firm disposes on foreign markets a temporary increases in inventories caused by unforeseen changes in supply and demand conditions in the home economy?

A. **sporadic dumping**
B. predatory dumping
C. persistent dumping
D. foreign dumping

1411. What type of trade barrier was used to protect U.S auto firms from foreign competition during 1981 – 1984 ?

A. **export quotas imposed by the Japanese government**
B. export tariffs imposed by the Japanese's government
C. import quotas imposed by the U.S government
D. domestic subsidies granted by the U.S government

1412. Buy national policies ?

A. **result in government purchase policies favoring domestic over foreign producers**
B. result in government purchase policies favoring foreign over domestic producers
C. attempt to restrict the number of tourists leaving a nation
D. are intended to publicize the advantage of the most efficient domestic companies

1413. The firm would maximize profit by selling computers in the United States at a price of __________ and _________ computers in Japan at a price of __________?

A. 200, $2,000, 100 $1,000
B. 300, $1,800, 800 $800
C. 300, $1,800, 400 $800
D. 500, $1,400, 400 $800

1414. Under a tariff- rate quota ?

A. The within-quota tariff rate exceeds the over-quota tariff rate
B. the over-quota tariff rate exceeds the with-quota tariff rate
C. The within-quota tariff rate equals the over-quota tariff rate
D. The within-quota tariff rate plus over-quota tariff rate equal 100 percent

1415. Suppose that the domestic government allows a specific number of goods to be imported each year, but it does not specify from where the product is shipped or who is permitted to import Such a trade barrier is known as ?

A. an import tariffs
B. a tariff rate quota
C. a selective quota
D. a global quota

1416. By practicing price discrimination, the firm would realize profits totaling ?

A. $160,000
B. $420,000
C. $540,000
D. $660,000

1417. With free trade suppose that the rest of the world can supply computers to Norway at a price of $1,500 Norway’s imports will now equal. Compared to What occurred in the absence of trade, Norway’s consumers surplus will _____ and its producer surplus will _____. Can you calculate these amounts? Try plotting the information of this table on a sheet of graph paper ?

A. 1,600 computers, decrease, increase
B. 1,600 computers, increase, decrease
C. 1,200 computers, decrease, increase
D. 1,200 computers, increase, decrease

1418. From the perspective of the American public as a whole, export subsidies levied by overseas governments on goods sold to the United States ?

A. **help more than they hurt**
B. hurt more then they help
C. are equivalent to an import quota
D. are equivalent to an export quota

1419. The reason for dumping is that the demand curve for ABC Co’s computers is _______ because ________ are available from other nations?

A. **more elastic in Japan, more substitutes are available from other nations**
B. more elastic in Japan, fewer substitutes are available from other; nations
C. more inelastic in Japan; more substitutes are available from other; nations

D. more inelastic in Japan; fewer substitutes are available from other nations

1420. **With free trade, suppose that the rest of the world can supply calculators to Canada at a price of $30. Canada's imports would now equal _____ and its consumer surplus would ____ relative to what occurred in the absence of trade. What is the change in consumer surplus? Refer to the figure that you have plotted ?**

A. 20 calculators increase
B. 25 calculators decrease
C. 25 calculators increase
D. 30 calculators increase

1421. **Export subsidies levied by foreign governments on products in which the Pakistan the comparative disadvantage ?**

A. lower the welfare of all Pakistanis
B. lead to increases in Pakistani consumer surplus
C. encourage Pakistan's production of competing goods
D. encourage Pakistani workers to demand higher wages

1422. **A specification of a maximum amount of a foreign produced good that will be allowed to enter the country over a given time period is referred to as a (an) ?**

A. domestic subsidy
B. export subsidy
C. import quota
D. export quota

1423. **A tariff-rate quota ?**

A. is a limit on the number of tariffs that a country can place on imports?
B. uses a single tariff along with import quotas to restrict import
C. is designed to avoid the the price increases caused by simple tariffs
D. is a two-tier tariff system intended to restrict imports?

1424. **If the home country government grants a subsidy on a domestically produced good domestic producers tend to ?**

A. Capture the entire subsidy in the form of higher profits
B. Increase their level of production
C. reduce wages paid to domestic workers
D. consider the subsidy as a increase in production cost

1425. **For year the U.S government levied quotas on inexpensive oil imported from the Middle East The quotas led to cost increases for U.S consumers totaling $3 billion for oil products. An apparent justification of this policy was that ?**

A. U.S oil companies and workers deserved higher incomes
B. U.S oil was of superior quality and merited higher prices
C. one should not be too dependent on foreign suppliers of crucial resources
D. The U.S government needed the quota revenue to balance its budget

1426. Quotas are government-imposed limits on the __________ of goods trade between countries?
A. prices
B. quantity
C. revenue
D. costs

1427. Similar to import tariffs import quotas tend to result in ?
A. **higher prices and reduced imports**
B. increased government revenue
C. increased consumer surplus
D. decrease producer surplus

1428. _________ are profits that accrue to whomever has the right to import the good that is restricted by the quota?
A. quota license
B. quota rents
C. quota prices
D. None of the above

1429. Governments around the world tend to auction quota licenses ?
A. never
B. seldom
C. often
D. always

1430. international dumping may involve ?
A. selling goods to foreigners at a price below that charged domestic consumers
B. selling goods to foreigners at a price below the cost of production
C. antidumping duties being levied on the imported, dumped goods
D. All of the above

1431. A production subsidy that is granted to a producer of an import-competing good ?
A. does not require government taxes to finance it
B. yields the same deadweight welfare loss as an import tariff or import quota
C. has only a consumption effect deadweight loss
D. has only a protective effect deadweight loss

1432. A attempts to limit outsourcing of jobs to foreigners by requiring that a minimum percentage of a product's value must be produced domestically if that good is to be sold in the domestic market ?

A. domestic subsidy
B. voluntary restraint agreement
C. domestic content requirement
D. tariff-rate quota

1433. The form of dumping that represents the greatest potential net welfare loss the for importing national is ?

A. **predatory dumping**
B. sporadic dumping
C. persistent dumping
D. yearend dumping

1434. According to the cost-based definition of dumping, dumping occurs when a firm sells a product abroad at a price that is less than ?

A. **average total cost**
B. average variable cost
C. average fixed cost
D. marginal cost

1435. A _______ allows a specified number of goods to be imported each year, and it not specifies from where the product is shipped and who is permitted to import ?

A. import quota
B. export quota
C. selective quota
D. global quota

1436. Which company in the United States would likely be most concerned about Brazil's dumping of steel in the U.S market ?

A. General Motors, the manufacturer of automobiles
B. Tennessee Mining Co. an iron-ore mining company
C. Caterpillar Corp the producer of earth moving equipment
D. Sneva Construction Co. The builder of skyscrapers

1437. Progress that meets the needs of the present without compromising the ability of future generations to meet their own needs is ?

A. the tragedy of commons
B. sustainable development
C. net primary productivity (NPP)
D. the impossibility theorem

1438. The Organization of Petroleum Exporting Countries (OPEC) is a(n) _________whose members agree to limit output and fix prices?

A. monopoly
B. entropy
C. industry
D. cartel

1439. Which of the following is an example of tragedy of commons ?
A. **over fishing**
B. smoking in a public place
C. excessive rain
D. common use of public toilets

1440. Negative externality is also known as ?
A. **external diseconomies**
B. marginal damage
C. public goods
D. resource curse

1441. The booming of North Seas’ gas export revenues in the 1970s that appreciated the guilder, making industrial export more costly in foreign currencies and increasing foreign competition and unemployment is known as ?
A. Trade deficit
B. Blind river disease
C. Dutch disease
D. Economic turmoil

1442. Theodore panayotou (1993) argues that environment degradation originates from the following EXCEPT ?
A. markets distortions
B. defective economic policies
C. inadequate property
D. the expansion of capitalism

1443. Deforestation ?
I- leads to localized flooding
II- reduces sustainable logging potential
III- reduces watershed stability
IV augments carbon restoration provided by forest

1444. I and II only
B. III and IV only
C. I, II and III only
D. I, II , III and IV only

1445. Irreversibility refers to ?
A. **natural resource that cannot be reproduced in the future if we fail to preserve them now**
B. obtaining intellectual property rights for products

C. natural extinction of various species in DCs
D. industrialization replacing agriculture in LDCs

1446. Biodiversity ?
A. **includes genetic species ecosystem and functional diversities**
B. refers to diversifying earth's nonrenewable resource
C. refers to reconstruction of tropical rainforests
D. refers to biological effects on commercial plantation

1447. The Montreal Protocal, signed in 1987 and strengthened in 1990 ?
A. attains the global optimal level of common property resource
B. relies on internationally tradable emission permits
C. minimizes free riders of public goods
D. reduces ozone depletion through the cutting of chlorofluorocarbon production

1448. The Genuine Progress indicator is ?
A. **also known as index of Sustainable Economic Welfare per capita**
B. GDP plus resource depletion and environmental cost
C. resource depletion and environmental cost divided by GDP per capita
D. increasing from 1976 to 2000

1449. Land and natural resources are considered ?
A. capital accumulation
B. common property resources
C. non-producible
D. output

1450. Air pollution from automobile exhausts, and water pollution steel plants are examples of ?
A. external economies
B. negative externalities
C. internal spillover
D. social distortion

1451. The government levying taxes on polluters or charging a surcharge for pesticide use are ?
A. examples of Coase's theorem
B. internalization of negative spillover effects
C. marginal abatement cost
D. examples of a free rider

1452. Which of the following country has 25 percent of the world's estimated oil reserves and the lowest cost production as well as a dominant role in OPEC pricing ?

A. Russia
B. Saudi Arabia
C. Iraq
D. Venezuela

1453. Micheal Roemer’s three-sector model shows that growth in the booming export sector I- reduces the price of foreign exchange II- retards other sectors’ growth by reducing incentives to export other commodities III- reduces incentives to replace domestic goods for imports IV- raises factor and input prices for non-booming sectors ?
A. I and III only
B. II and III only
C. I, II and III only
D. I, II , III only IV

1454. According to Coase’s theorem when property rights are well defined and legally enforceable and transactions costs are not prohibitive ?
A. population growth leads to rigid land rights
B. participants will organize their transactions
C. violence displacement erosion and poverty are minimized
D. individuals overuse of the biosphere is curtailed

1455. Many environmental resources are public goods, which are characterized by ?
A. rivalry and exclusion in consumption
B. nonrivalry and nonexclusion in consumption
C. rivalry but nonexclusion in production
D. nonrivalry but exclusion in usage

1456. The green house effect is the phenomenon by which ?
A. biological diversity is dominant in agricultural production
B. the globe’s water pollution affects plankton
C. the earth’s atmosphere traps infrared radiation
D. climatic changes occur naturally in the forest

1457. The Club of Rome Study, The Limits to Growth suggests that as natural resources diminish ?
A. capital increasingly replaces labor
B. technological change compensates for capital depletion
C. costs rise, leaving less capital for future investment
D. contingent valuation becomes critical

1458. Gross National Product equals ?
A. Net National Product adjusted for inflation
B. Gross Domestic Product adjusted for inflation
C. Gross Domestic Product plus net property income from abroad
D. Net National Product plus net property income from abroad

1459. In a recession ?
A. Unemployment is likely to be low
B. Prices are likely to increase
C. Growth is negative
D. Growth is slow

1460. GDP plus net property income from abroad equals what ?
A. **GNP**
B. NNP
C. Depreciation
D. Real GDP

1461. To adjust GDP from market prices to factor cost ?
A. Add indirect taxes
B. Subtract subsidies
C. Deduct indirect taxes and subsidies
D. Deduct indirect taxes and add subsidies

1462. In a recession a government ?
A. Is likely to want to decrease demand in the economy
B. Is likely to want to decrease demand in the economy
C. Is likely to want to stabilise demand in the economy
D. Is likely to want to increase supply in the economy

1463. An example of a transfer payment is ?
A. Profit
B. rent
C. unemployment benefits
D. government purchases
E. wages

1464. Which of the following would be excluded from UK GDP fro 2005? The sale of ?
A. **a haircut**
B. the value of a lawyer’s services
C. a 2005 Honda made in Swindon
D. All of things mentioned in these answers should be counted in 2005 GDP.

1465. Pakistan’s Gross Domestic Product (in contrast to Gross National Product) measures the production and income of ?
A. Pakistan -owned firms no matter where they are located in the world
B. The domestic manufacturing sector only
C. The domestic service sector only
D. People and factories located within the borders of the Pakistan
E. none of these answers

1466. If nominal GDP in 2005 exceeds nominal GDP in 2004, then the production of output ?

A. must have fallen
B. must have risen
C. must have stayed the same
D. may have risen fallen, or stayed the same because there is not enough information to determine what happened to real output

1467. GDP would include which of the following ?

A. the value of taking a day off from work
B. consulting services
C. intermediate sales
D. illegal drug sales
E. housework

1468. If Pakistan’s GDP exceeds Pakistan’s GNP, then ?

A. intermediate production exceeds final production
B. foreigners are producing more in the Pakistan then Pakistanis are producing in foreign countries
C. real GNP exceeds nominal GNP
D. real GDP exceeds nominal GDP

1469. How is your purchase in Pakistan of a Rs40,000 BMW automobile that was produced entirely in Germany recorded in the Pakistan’s GDP accounts ?

A. **Consumption in increase by Rs40,000 and net export decreases by Rs40,000**
B. Net exports increase by Rs40,000
C. There is no impact because this transaction does not involve domestic production
D. Investment increased by Rs40,000 and net exports increases by Rs40,000

1470. If your grandparents buy a newly built retirement home, this transaction would affect ?

A. **investment**
B. net exports
C. government purchases
D. consumption
E. none of these answers

1471. Net National Product equals ?

A. Gross National Product adjusted for inflation
B. Gross Domestic Product adjusted for inflation
C. Gross Domestic Product plus net property income from abroad
D. Gross National Product minus depreciation

1472. The standard of living is often measured by ?

A. **Real GDP per capita**
B. Real GDP
C. Real GDP population
D. Real GDP plus depreciation

1473. In a boom ?

A. Surpluses are likely to occur:
B. Prices are likely to fall
C. Supply will increase immediately to match demand
D. Shortages may occur

1474. To adjust from Gross National Product to Net National Product ?

A. Deduct depreciation
B. Deduct indirect taxes
C. Deduct subsidies
D. Add inflation

1475. A higher GDP per capita may not means that the quality of life has really improved because ?

A. **It measures wealth not income**
B. It measures Gross Domestic Product
C. It does not measure the quality of the items produced
D. It is only measured every five years:

1476. The value of plant and equipment worn out in the process of manufacturing goods and services is measured by ?

A. intermediate production
B. Net National Product
C. Investment
D. depreciation
E. consumption

1477. Gross Domestic Product can be measured as the sum of ?

A. final goods and services intermediate goods, transfer payments, and rent
B. consumption investment government purchases and net exports
C. consumption transfer payments. wages and profits.
D. Net National Product Gross National Product, and Disposable personal income
E. investment wages profits and intermediate production

1478. Gross Domestic Product is the sum of the market value of the ?

A. intermediate goods
B. final goods and services
C. manufactured goods

D. inferior goods and services
normal goods and services

1479. If a cobbler buys leather for Rs100 and thread for Rs50 and uses them to produce and sell Rs500 worth of shoes to consumers the contribution to GDP is ?

A. Rs50
B. Rs100
C. Rs650
D. Rs500

1480. Real GDP is measured in ___________ prices while nominal GDP is measured in __________ prices?

A. foreign; domestic
B. current year; base year
C. domestic; foreign
D. base year; current year
E. intermediate; final

1481. UK GDP would exclude which of the following ?

A. Lawyer services purchased by a home buyer
B. The purchase of a new Nissan produced in Sunderland
C. Copper purchased by tap manufacturer Bristan
D. A new art gallery purchased by the city of Newcastle
E. Lawn care services purchased by a home owner.

1482. Which of the following is not a characteristic of a monopolistically competitive market ?

A. free entry and exit
B. long run economic profits
C. many sellers
D. differentiated products

1483. Which of the following is true regarding the similarities and differences in monopolistic competition and monopoly ?

A. the monopolist faces a downward-sloping demand curve while the monopolistic competitor faces an elastic demand curve
B. the monopolist charges a price above marginal cost while the monopolistic competitor charges a price equal to marginal cost
C. The monopolist makes economic profits in the long run while the monopolistic competitor makes zero economic profits in the long run
D. Both the monopolist and the monopolistic competitor operate at the efficient scale

1484. Which of the following is true regarding the production and pricing decisions of monopolistically competitive firms? Monopolistically

competitive firms choose the quantity at which marginal cost equals ?

A. **marginal revenue and then use the demand curve to determine the price consistent with this quantity**

B. average total cost and then use the supply curve to determine the price consistent with this quantity

C. marginal revenue and then use the supply curve to determine the price consistent with this quantity

D. average total cost and then use the demand curve to determine the price consistent with this quantity

1485. Which of the following is true with regard to monopolistically competitive firms scale of production and pricing decisions Monopolistically competitive firms produce ?

A. at the efficient scale and charge a price equal to marginal cost

B. at the efficient scale and charge a price above marginal cost

C. With excess capacity and charge a price above marginal cost

D. With excess capacity and charge a price equal to marginal cost

1486. When firms enter a monopolistically competitive market and the business-stealing externality is larger than the product-variety externality then ?

A. **there are too many firms in the market and market efficiency could be increased if firms exited the market**

B. the number of firms in the market is optimal and the market is efficient

C. There are too few firms in the market and market efficiency could be be increased with additional entry

D. The only way to improve efficiency in this market is for the government to regulate it like a natural monopoly.

1487. The use of the word "monopoly" in the name of the market structure called "monopolistic competition" refers to the fact that ?

A. monopolistically competitive firms charge prices equal to their marginal costs just like monopolists

B. a monopolistically competitive firms faces a downward-sloping demand curve for its differentiated product and so does a monopolist

C. monopolistically competitive markets have free entry and exit just like a monopolistic market

D. monopolistically competitive firms produce beyond their efficient scale and so do monopolists

1488. Defenders of the use of brand names argue that brand names ?

A. all of these answers
B. are useful even in socialist economics such as the former Soviet Union
C. provide information about the quality of the product
give firms incentive to maintain high quality

1489. Which of the following is not an argument put forth by economists in support of the use of advertising ?
A. Advertising increases competition
B. Advertising provides information to customers about prices, new products and location of retail outlets.
C. Advertising provides a creative outlet for artists and writers
D. Advertising provides new firms with the means to attract customers from existing firms.

1490. Which of the following products is least likely to be sold in a monopolistically competitive market ?
A. breakfast
B. cotton
C. video games
D. beer

1491. In the short run, if the price is above average total cost in a monopolistically competitive market, the firm makes ?
A. losses and firms exit the market
B. profits and firms exit the market
C. losses and firms enter the market
D. profits and firms enter the market

1492. Which of the following firms has the least incentive to advertise ?
A. a manual fracture of breakfast cereal
B. a wholesaler of crude oil
C. a restaurant
D. a manufacturer of home heating and air conditioning

1493. One source of inefficiency in monopolistic competition is that since price is above marginal cost, some units are not produced that buyers value in ?
A. Since price is above marginal cost surplus is redistributed from buyers to sellers
B. monopolistically competitive firms earn economic profits in the long run
C. monopolistically competitive firms produce beyond their efficient scale
D. excess of the cost of production and this causes a deadweight loss.

1494. The use of word "competition" in the name of the market structure called "monopolistic competition" refers to the fact that ?

A. **there are many sellers in a monopolistically competitive market and there is free entry and exit in the market just like a competitive market**

B. Monopolistically competitive firms face a downward-sloping demand curve just like competitive firms.

C. Monopolistically competitive firms charge prices equal to the minimum of their average total cost just like competitive firms.

D. The products are differentiated in a monopolistically competitive market just like in a competitive market.

1495. Which of the following firms is most likely to spend a large percentage of their revenue on advertising ?

A. **the producer of a highly differentiated consumer product**

B. the manufacturer of an undifferentiated consumer commodity

C. a perfect competitor

D. The manufacturer of an industrial product

E. The producer of a low-quality product that costs the same to produce as a similar high-quality product

1496. Which of the following is not put forth as a criticism of advertising and brand names ?

A. Advertising manipulates people's tastes to create a desire that otherwise would not exist

B. Advertising increase competition Which causes unnecessary bankruptcies and layoffs.

C. Advertising increases brand loyalty causes demand to be more inelastic and thus, increase mark-up over marginal cost.

All of these answers are criticisms of advertising and brand names

1497. X inefficiency occurs when ?

A. The price is greater than the marginal cost

B. The price is greater than the average cost

C. Costs are higher than they could be due to a lack of competitive pressure

D. There are external cost

1498. In monopoly when abnormal profits are made ?

A. **The price set is greater than the marginal cost**

B. The price is less than the average cost

C. The average revenue equals the marginal cost

D. Revenue equals total cost

1499. Barriers to entry do not include ?

A. Patents
B. Internal economies of scale
C. Mobility of resources
D. High investment costs

1500. In monopoly which of the following is true ?
A. There are many buyers and sellers
B. There is one main buyer
C. There is one main seller
D. The actions of one firm do not affect the market price and quantity